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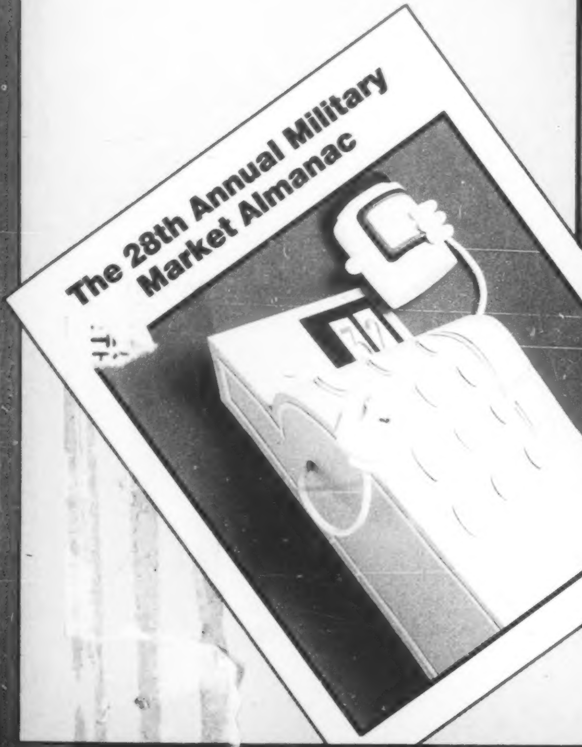
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY
NOVEMBER 1987 $4.00

The Changes He's Seen

The Dean Of Resale Reflects on Sales, Savings, Stores and Central Distribution

Brig. Gen. James S. Hayes, USA, Commander, U.S. Army Troop Support Agency


The 28th Annual Military Market Almanac

SPECIAL PULL-OUT: OUR 1988 PROMOTIONS CALENDAR

HE STATE OF TOBACCO: HAS DEGLAMORIZATION DAMAGED SALES?

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPHS BY KATE PATTERSON

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serving the military resale system

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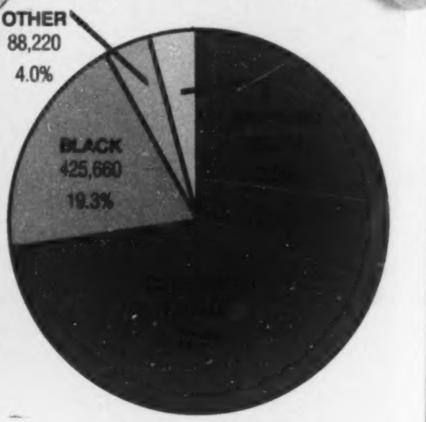
Race Breakdown of Active Duty Military



As of March 31, 1987

Age Breakdown of Active Duty Military

Years of age	Men	Women	All
UNDER 21	18.1%	17.4%	17.9%
21—25 YEARS	33.7%	40.0%	34.3%
26—29 YEARS	16.7%	20.6%	17.1%
30—35 YEARS	15.9%	16.1%	16.1%
36—39 YEARS	8.7%	4.1%	8.3%
40 AND OVER	6.8%	1.8%	6.3%

As of March 31, 1987

Does Not Include Coast Guard

Source: DoD Directorate Information Operations & Reports (DIOR).

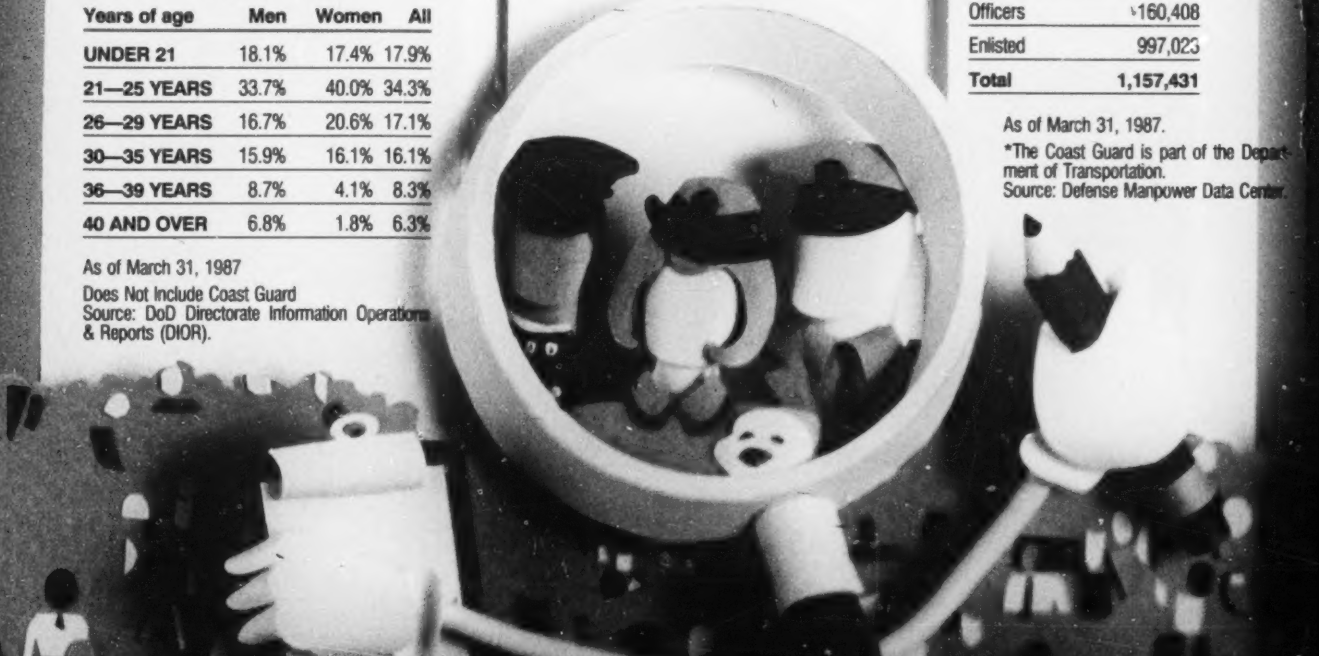
Reserve Forces in Paid Status

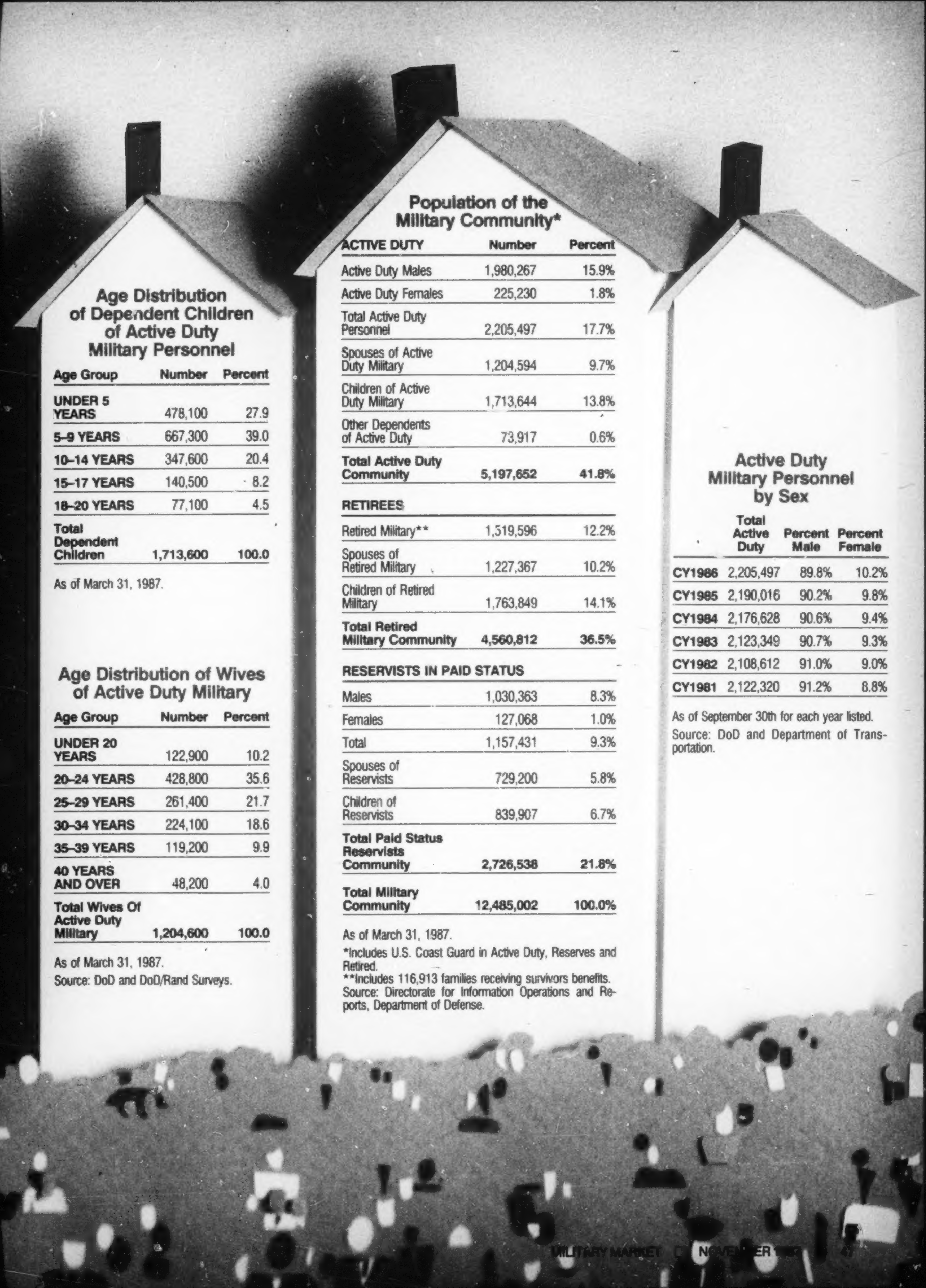
ARMY NATIONAL GUARD	
Officers	43,344
Enlisted	409,214
Total	**452,557**
ARMY RESERVE	
Officers	56,621
Enlisted	254,172
Total	**310,793**
NAVAL RESERVE	
Officers	25,360
Enlisted	121,067
Total	**146,427**
MARINE CORPS RESERVE	
Officers	3,528
Enlisted	37,919
Total	**41,447**
AIR NATIONAL GUARD	
Officers	13,561
Enlisted	100,605
Total	**114,166**
AIR FORCE RESERVE	
Officers	16,376
Enlisted	62,894
Total	**79,270**
DoD RESERVES (Total)	
Officers	158,790
Enlisted	985,870
Total	**1,144,660**
COAST GUARD RESERVE*	
Officers	1,618
Enlisted	11,153
Total	**12,771**
TOTAL (All Services)	
Officers	160,408
Enlisted	997,023
Total	**1,157,431**

As of March 31, 1987.

*The Coast Guard is part of the Department of Transportation.

Source: Defense Manpower Data Center.





Age Distribution of Dependent Children of Active Duty Military Personnel

Age Group	Number	Percent
UNDER 5 YEARS	478,100	27.9
5–9 YEARS	667,300	39.0
10–14 YEARS	347,600	20.4
15–17 YEARS	140,500	8.2
18–20 YEARS	77,100	4.5
Total Dependent Children	**1,713,600**	**100.0**

As of March 31, 1987.

Age Distribution of Wives of Active Duty Military

Age Group	Number	Percent
UNDER 20 YEARS	122,900	10.2
20–24 YEARS	428,800	35.6
25–29 YEARS	261,400	21.7
30–34 YEARS	224,100	18.6
35–39 YEARS	119,200	9.9
40 YEARS AND OVER	48,200	4.0
Total Wives Of Active Duty Military	**1,204,600**	**100.0**

As of March 31, 1987.

Source: DoD and DoD/Rand Surveys.

Population of the Military Community*

ACTIVE DUTY	Number	Percent
Active Duty Males	1,980,267	15.9%
Active Duty Females	225,230	1.8%
Total Active Duty Personnel	2,205,497	17.7%
Spouses of Active Duty Military	1,204,594	9.7%
Children of Active Duty Military	1,713,644	13.8%
Other Dependents of Active Duty	73,917	0.6%
Total Active Duty Community	**5,197,652**	**41.8%**
RETIREES		
Retired Military**	1,519,596	12.2%
Spouses of Retired Military	1,227,367	10.2%
Children of Retired Military	1,763,849	14.1%
Total Retired Military Community	**4,560,812**	**36.5%**
RESERVISTS IN PAID STATUS		
Males	1,030,363	8.3%
Females	127,068	1.0%
Total	1,157,431	9.3%
Spouses of Reservists	729,200	5.8%
Children of Reservists	839,907	6.7%
Total Paid Status Reservists Community	**2,726,538**	**21.8%**
Total Military Community	**12,485,002**	**100.0%**

As of March 31, 1987.

*Includes U.S. Coast Guard in Active Duty, Reserves and Retired.

**Includes 116,913 families receiving survivors benefits.

Source: Directorate for Information Operations and Reports, Department of Defense.

Active Duty Military Personnel by Sex

	Total Active Duty	Percent Male	Percent Female
CY1986	2,205,497	89.8%	10.2%
CY1985	2,190,016	90.2%	9.8%
CY1984	2,176,628	90.6%	9.4%
CY1983	2,123,349	90.7%	9.3%
CY1982	2,108,612	91.0%	9.0%
CY1981	2,122,320	91.2%	8.8%

As of September 30th for each year listed.

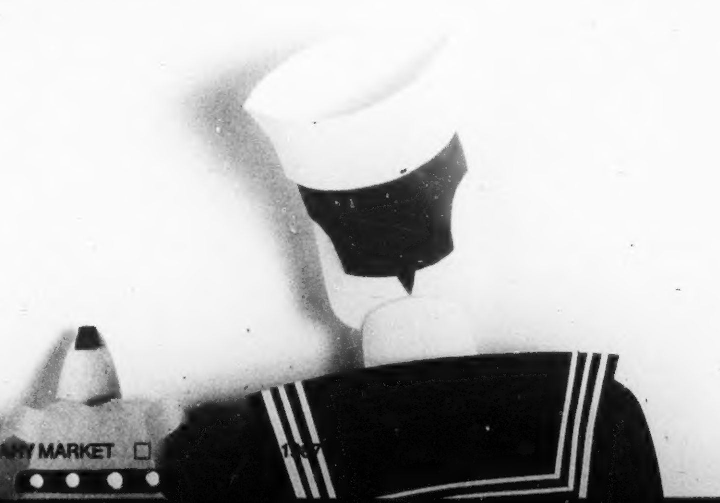
Source: DoD and Department of Transportation.

Active Duty Military Personnel by Rank, Sex and Service

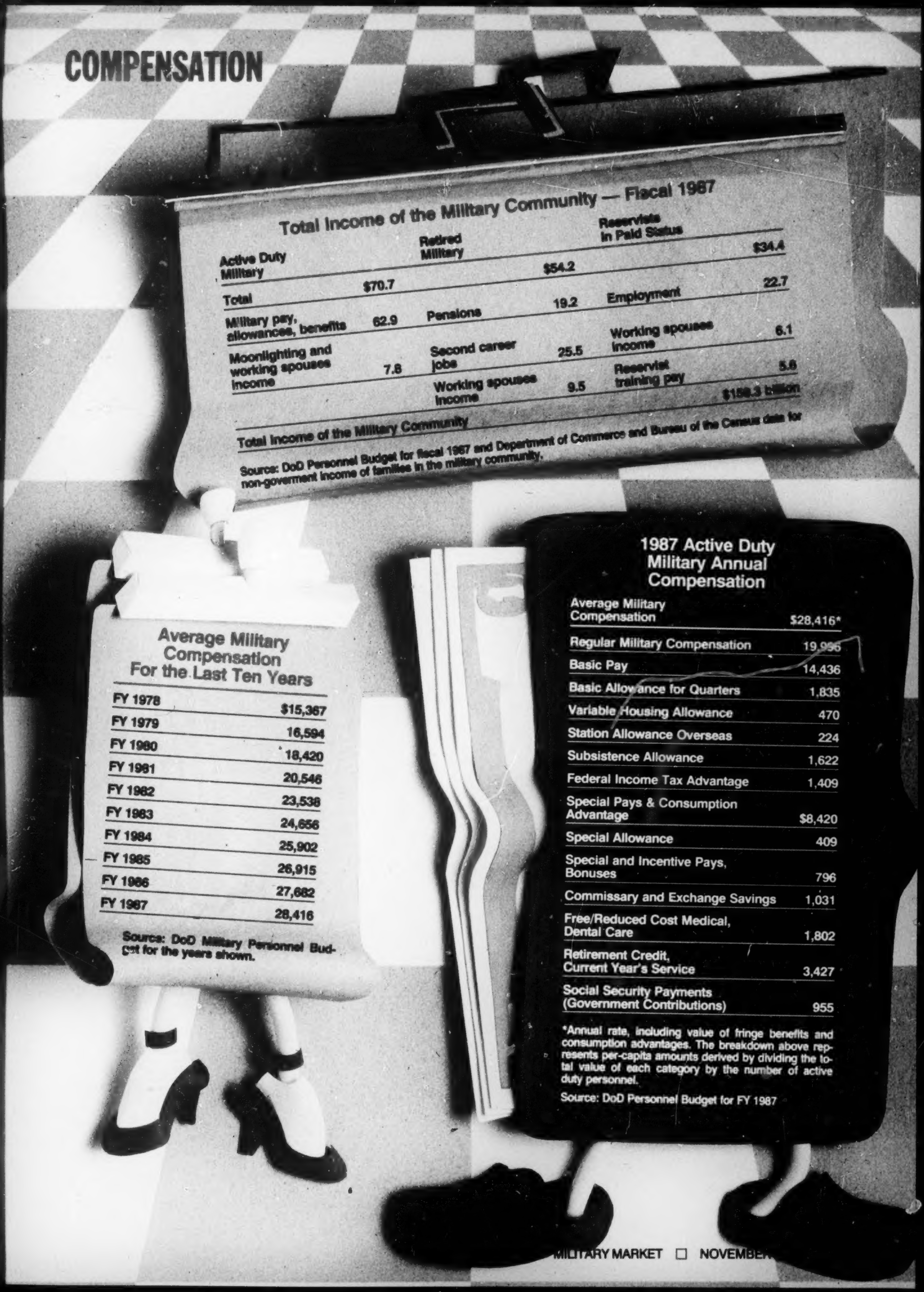
	Army		Navy		Marine Corps		Air Force	
Rank	Male	Female	Male	Female	Male	Female	Male	Female
Officers								
O7-O10	395	4	251	1	68	1	335	2
O-6	4,583	106	3,595	108	640	8	5,592	101
O-5	10,313	507	7,353	393	1,604	34	12,300	442
O-4	16,176	1,434	12,158	1,300	3,176	74	18,803	1,433
O-3	29,337	4,476	19,423	2,854	5,769	238	35,464	5,575
O-2	14,673	2,844	8,631	1,229	4,113	144	12,178	2,334
O-1	7,093	1,714	9,898	1,294	2,610	101	11,727	2,812
Warrant Officers	14,923	332	3,003	28	1,555	55	0	0
Total Officers	97,453	11,417	64,312	7,207	19,535	655	96,399	12,699
Enlisted								
E-9	4,393	26	4,626	13	1,381	9	5,013	25
E-8	15,095	245	9,752	102	3,886	53	9,846	96
E-7	49,852	1,909	32,881	920	9,161	181	38,262	1,057
E-6	81,533	6,623	72,961	4,773	14,859	610	55,090	4,417
E-5	104,592	14,370	93,630	10,514	23,060	1,823	98,875	15,426
E-4	164,023	25,717	92,240	11,148	32,122	2,325	102,742	16,043
E-3	80,435	10,713	80,439	13,195	54,127	2,655	82,437	15,763
E-2	44,951	4,903	43,501	3,797	21,280	1,166	30,063	6,264
E-1	44,934	6,532	30,218	2,731	9,716	336	13,875	2,8433
Total Enlisted	589,808	71,038	460,248	47,193	169,592	9,158	436,203	61,924
Cadets & Midshipmen	3,858	490	4,207	387	0	0	3,839	518
Grand Total	691,159	82,945	528,767	54,787	189,127	9,813	536,441	75,141

	Total DoD			Coast Guard		Total All Services		
Rank	Male	Female	Total	Male	Female	Male	Female	Total
Officers								
O7-O10	1,049	0	1,057	29	0	1,078	8	1,086
O-6	14,410	323	14,733	336	0	14,746	323	15,069
O-5	31,570	1,376	32,946	636	2	32,206	1,378	33,584
O-4	50,313	4,241	54,554	940	15	51,253	4,256	55,509
O-3	89,993	13,143	103,136	1,521	54	91,514	13,197	104,711
O-2	39,595	6,551	46,146	1,059	77	40,654	6,628	47,282
O-1	31,328	5,921	37,249	398	59	31,726	5,980	37,706
Warrant Officers	19,481	415	19,896	1,449	5	20,930	420	21,350
Total Officers	277,739	31,978	309,717	6,368	212	284,107	32,190	316,297
Enlisted								
E-9	15,413	73	15,486	377	0	15,790	73	15,863
E-8	38,579	496	39,075	505	0	39,084	496	39,580
E-7	130,156	4,067	134,223	2,782	25	132,938	4,092	137,030
E-6	224,443	16,423	240,866	5,364	203	229,807	16,626	246,433
E-5	320,157	42,133	362,290	5,074	432	325,231	42,565	367,796
E-4	391,127	55,233	446,360	6,417	569	397,544	55,802	453,346
E-3	297,438	42,326	339,764	4,198	513	301,636	42,839	344,475
E-2	139,795	16,130	155,925	2,982	466	142,777	16,596	159,373
E-1	98,743	12,432	111,175	706	124	99,449	12,556	112,005
Total Enlisted	1,655,851	189,313	1,845,164	28,405	2,332	1,684,256	191,645	1,875,901
Cadets & Midshipmen	11,904	1,395	13,299	0	0	11,904	1,395	13,299
Grand Total	1,945,494	222,686	2,168,180	34,773	2,544	1,980,267	225,230	2,205,497

All data as of September 30, 1986



COMPENSATION



Total Income of the Military Community — Fiscal 1987

Active Duty Military		Retired Military		Reservists in Paid Status	
Total	$70.7		$54.2		$34.4
Military pay, allowances, benefits	62.9	Pensions	19.2	Employment	22.7
Moonlighting and working spouses income	7.8	Second career jobs	25.5	Working spouses income	6.1
		Working spouses income	9.5	Reservist training pay	5.6
Total Income of the Military Community					$158.3 billion

Source: DoD Personnel Budget for fiscal 1987 and Department of Commerce and Bureau of the Census data for non-goverment income of families in the military community.

Average Military Compensation For the Last Ten Years

FY 1978	$15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915
FY 1986	27,682
FY 1987	28,416

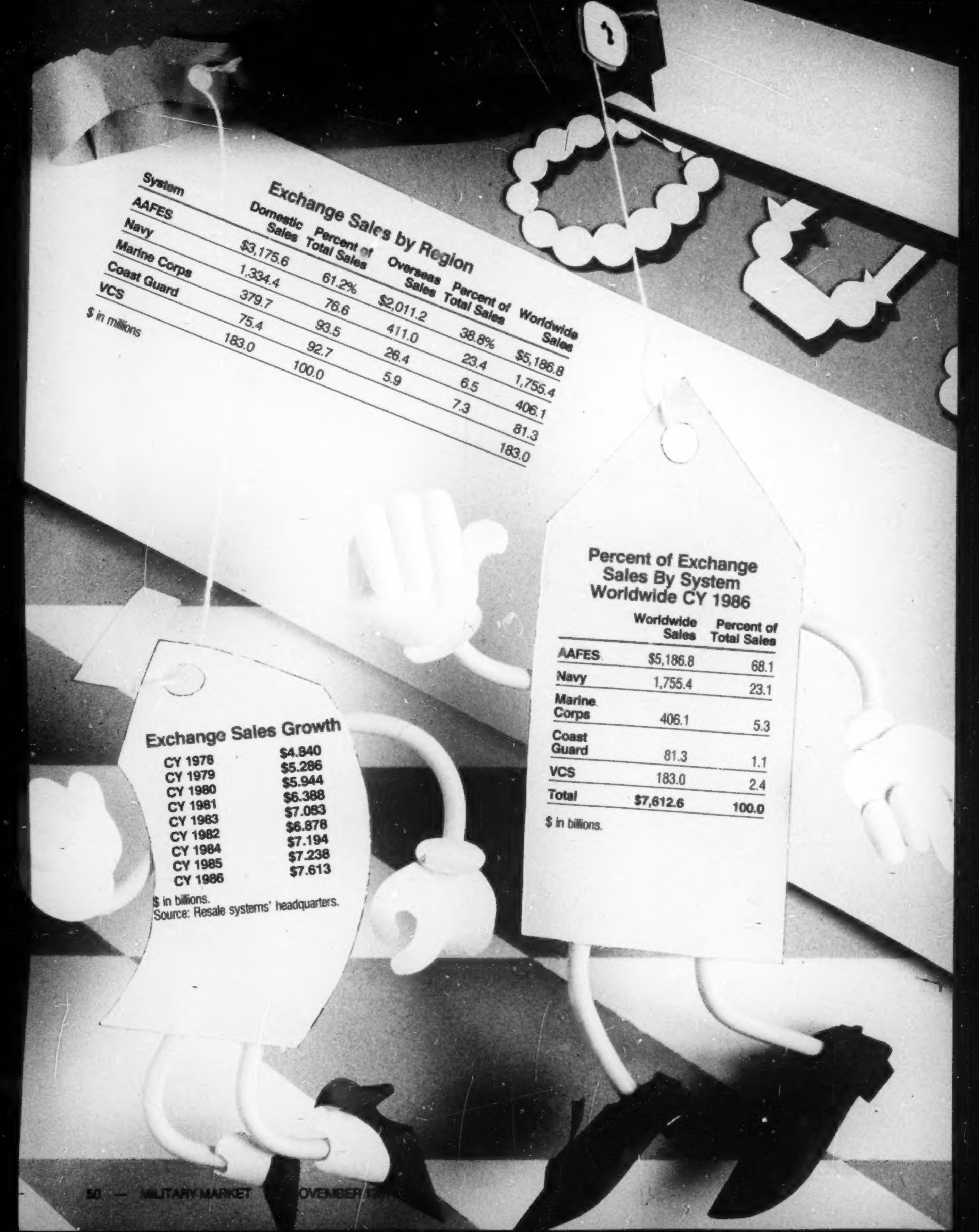
Source: DoD Military Personnel Budget for the years shown.

1987 Active Duty Military Annual Compensation

Average Military Compensation	$28,416*
Regular Military Compensation	19,996
Basic Pay	14,436
Basic Allowance for Quarters	1,835
Variable Housing Allowance	470
Station Allowance Overseas	224
Subsistence Allowance	1,622
Federal Income Tax Advantage	1,409
Special Pays & Consumption Advantage	$8,420
Special Allowance	409
Special and Incentive Pays, Bonuses	796
Commissary and Exchange Savings	1,031
Free/Reduced Cost Medical, Dental Care	1,802
Retirement Credit, Current Year's Service	3,427
Social Security Payments (Government Contributions)	955

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

Source: DoD Personnel Budget for FY 1987



Exchange Sales by Region

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AAFES	$3,175.6	61.2%	$2,011.2	38.8%	$5,186.8
Navy	1,334.4	76.6	411.0	23.4	1,755.4
Marine Corps	379.7	93.5	26.4	6.5	406.1
Coast Guard	75.4	92.7	5.9	7.3	81.3
VCS	183.0	100.0			183.0

$ in millions

Percent of Exchange Sales By System Worldwide CY 1986

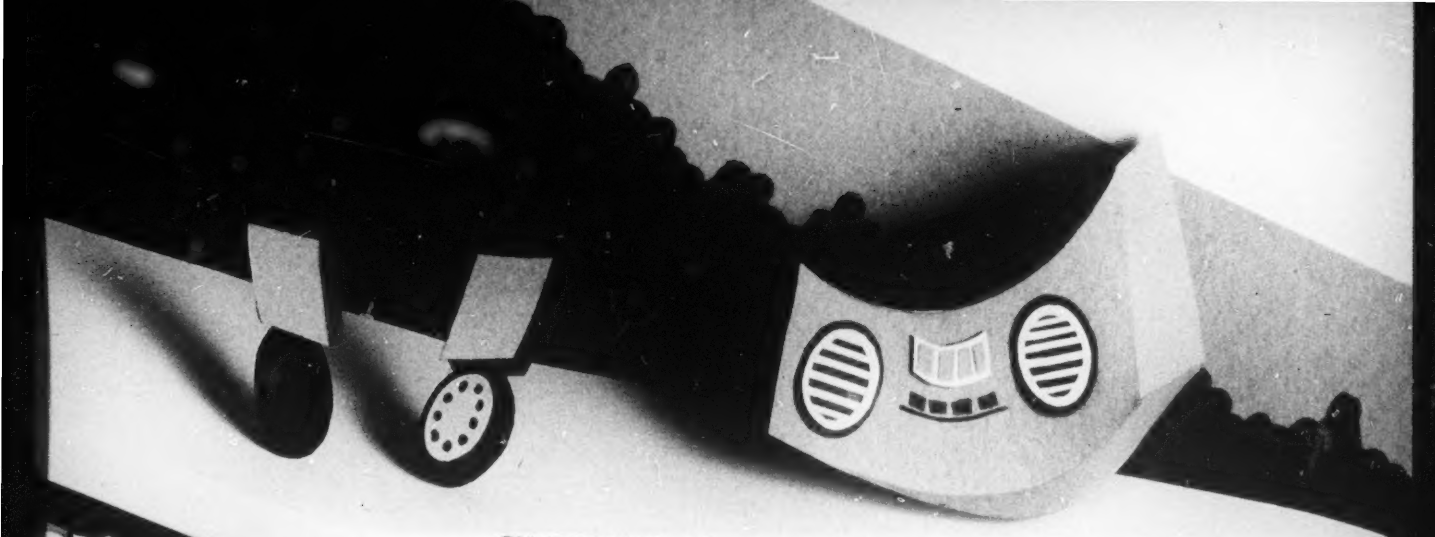
	Worldwide Sales	Percent of Total Sales
AAFES	$5,186.8	68.1
Navy	1,755.4	23.1
Marine Corps	406.1	5.3
Coast Guard	81.3	1.1
VCS	183.0	2.4
Total	$7,612.6	100.0

$ in billions.

Exchange Sales Growth

CY 1978	$4.840
CY 1979	$5.286
CY 1980	$5.944
CY 1981	$6.388
CY 1983	$7.083
CY 1982	$6.878
CY 1984	$7.194
CY 1985	$7.238
CY 1986	$7.613

$ in billions.
Source: Resale systems' headquarters.



CY 1986 Military Exchange Sales by Department and by Area

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Automotive[1]	$98,512,683	2.5	$44,825,442	2.1	$143,338,125	2.4
Gasoline[2]	303,028,194	7.7	127,058,292	5.9	430,086,486	7.1
Automotive Labor[3]	17,734,705	0.5	3,732,562	0.2	21,467,267	0.4
Tobacco Products, including Vending	290,584,600	7.4	70,980,000	3.3	361,564,600	6.0
Military Uniforms including DPSC Mdse.[4]	228,435,792	5.8	66,166,935	3.1	294,602,727	4.9
Food & Juices	236,676,800	6.0	149,497,900	6.9	386,174,700	6.4
Beer & Sodas	227,758,550	5.8	130,800,354	6.1	358,558,904	5.9
Health & Beauty Aids	202,611,300	5.2	93,463,965	4.3	296,075,265	4.9
Cosmetics & Fragrances	97,458,000	2.5	33,420,300	1.6	130,878,300	2.0
Jewelry, including precious jewelry	106,621,603	2.7	82,957,431	3.9	189,579,034	3.1
Watches	41,916,509	1.1	20,355,758	0.9	62,272,267	1.0
Stationery	69,088,945	1.8	21,777,553	1.0	90,866,498	1.5
Greeting Cards & Paper Goods	50,768,974	1.3	20,457,060	1.0	71,226,034	1.2
Books & Periodicals	66,811,707	1.7	28,902,059	1.3	95,713,766	1.6
Men's Outerwear	85,214,660	2.2	42,091,003	2.0	127,305,663	2.1
Men's Furnishings	159,378,339	4.1	63,679,221	3.0	223,057,560	3.7
Women's Outerwear	119,833,637	3.1	57,497,579	2.7	177,331,216	2.9
Women's Furnishings	92,534,093	2.4	28,514,020	1.3	121,048,113	2.0
Boyswear	40,209,148	1.0	19,372,345	0.9	59,581,493	1.0
Girlswear	33,133,011	0.8	18,974,929	0.9	52,107,940	0.9
Infants' & Toddlers' Wear	52,032,176	1.3	28,965,839	1.3	80,998,015	1.3
Footwear	134,480,722	3.4	58,026,997	2.7	192,507,719	3.2
Linens & Domestics	68,129,733	1.7	35,114,571	1.6	103,244,304	1.7
Yardage & Sewing Notions	17,116,244	0.4	13,261,614	0.6	30,377,858	0.5
Dinnerware & Flatware	17,260,940	0.4	9,867,036	0.5	27,127,976	0.4
Kitchenware	44,013,572	1.1	19,962,512	0.9	63,976,084	1.1
Giftware	43,778,955	1.1	33,659,075	1.6	77,438,030	1.3
Cleaning Supplies	51,794,507	1.3	24,441,798	1.1	76,236,305	1.3
Traffic & Major Appliances	91,129,525	2.3	60,441,191	2.8	151,570,716	2.5
Furniture & Home Furnishings	40,992,173	1.0	60,740,207	2.8	101,732,380	1.7
Hardware & Pet Supplies	91,465,475	2.3	23,822,423	1.1	115,287,898	1.9
Luggage	32,196,725	0.8	12,381,145	0.6	44,577,870	0.7
Garden/Patio Furniture	93,338,524	2.4	14,280,146	0.7	107,618,670	1.8
Sporting Goods	59,817,097	1.5	27,083,563	1.3	86,900,660	1.4
Photo Finishing	29,395,964	0.8	7,954,556	0.4	37,350,520	0.6
Photography & Optical	85,861,521	2.2	59,986,689	2.8	145,848,210	2.4
Toys, Games & Bicycles	74,652,709	1.9	55,568,899	2.6	130,221,607	2.1
Consumer Electronics	270,160,394	6.9	422,597,727	19.6	692,758,121	11.4
Recorded Sound & Video	51,630,113	1.3	58,535,865	2.7	110,165,978	1.8
Total Retail Departments*	**$3,917,558,318**	**100.0**	**$2,151,216,562**	**100.0**	**$6,068,774,880**	**100.0**

[1] AAFES Retail Dept. 1 and Navy Dept. C-8.

[2] AAFES Retail Dept. 2 and Navy Service Dept. J-3.

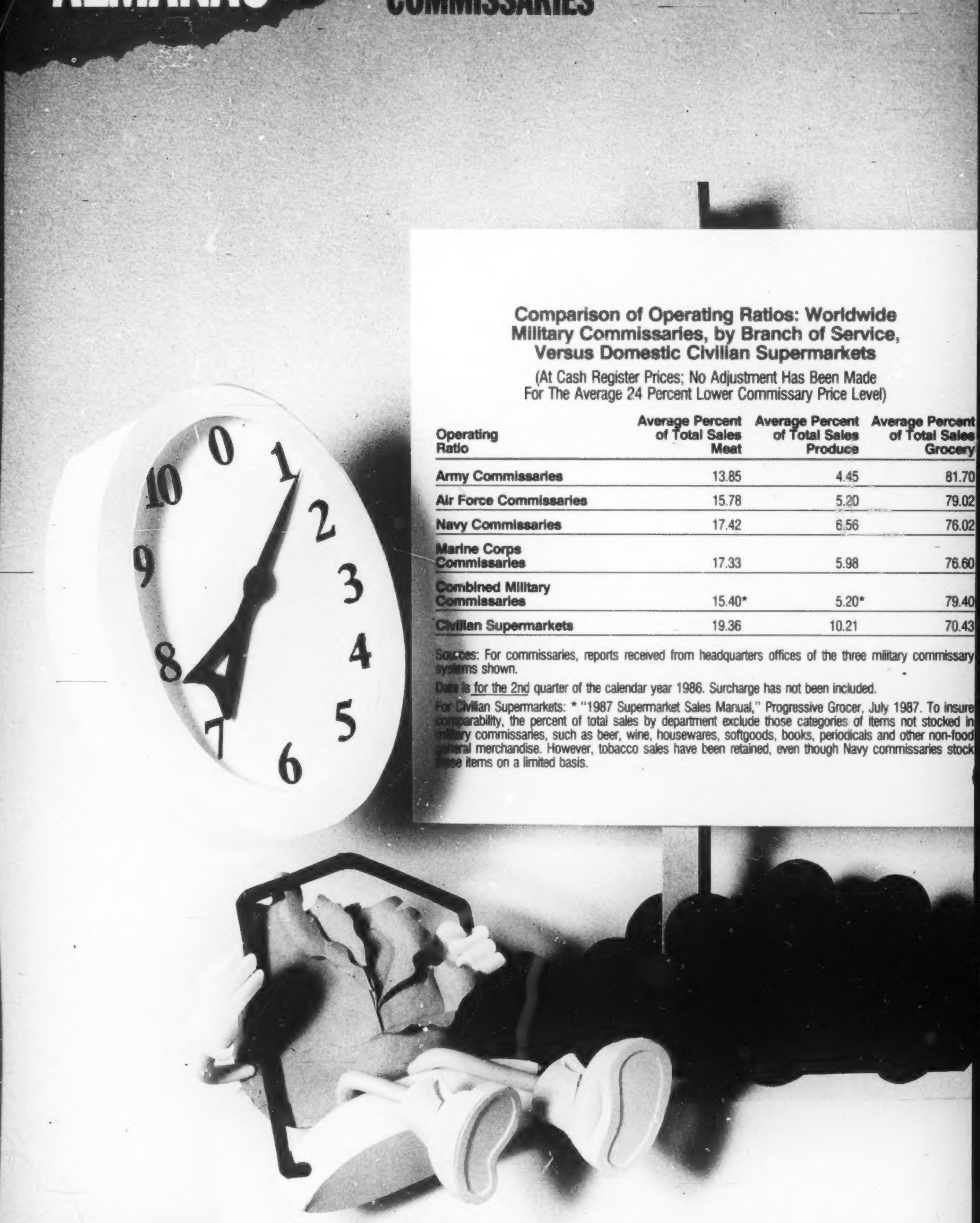
[3] AAFES Retail Dept. 3 and Navy Service Dept. J-5.

[4] AAFES Retail Depts. 19 & 40; Navy Dept. E-1 and Service Dept. L-1.

* With the exceptions indicated in footnotes 1–4, above totals do not include income from services such as cafeterias, snack bars, beauty and barber shops, or concessions. No vending sales are included except cigarette vending, as noted above.

Research Department, Army Times Publishing Company

COMMISSARIES



Comparison of Operating Ratios: Worldwide Military Commissaries, by Branch of Service, Versus Domestic Civilian Supermarkets

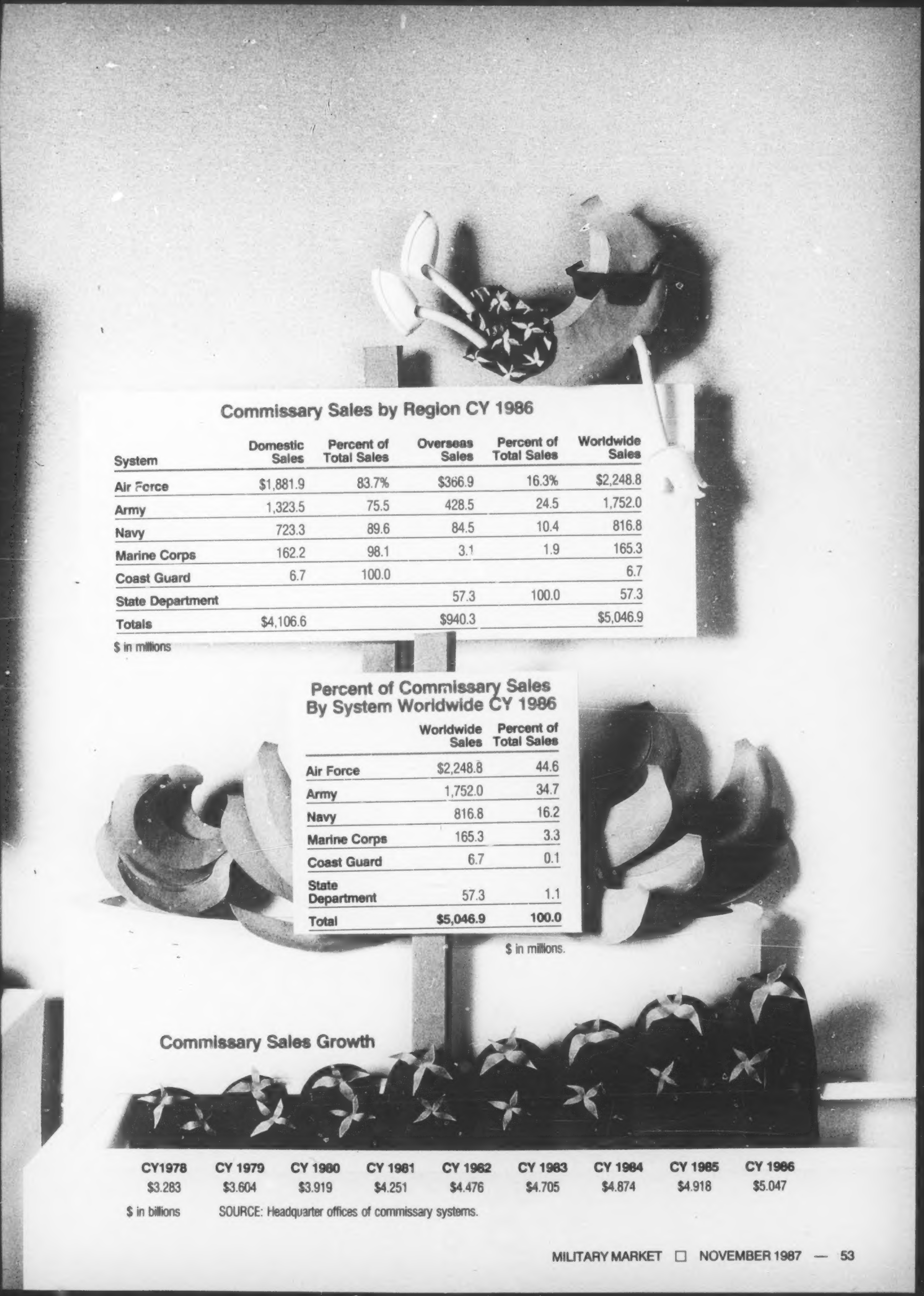
(At Cash Register Prices; No Adjustment Has Been Made For The Average 24 Percent Lower Commissary Price Level)

Operating Ratio	Average Percent of Total Sales Meat	Average Percent of Total Sales Produce	Average Percent of Total Sales Grocery
Army Commissaries	13.85	4.45	81.70
Air Force Commissaries	15.78	5.20	79.02
Navy Commissaries	17.42	6.56	76.02
Marine Corps Commissaries	17.33	5.98	76.60
Combined Military Commissaries	15.40*	5.20*	79.40
Civilian Supermarkets	19.36	10.21	70.43

Sources: For commissaries, reports received from headquarters offices of the three military commissary systems shown.

Data is for the 2nd quarter of the calendar year 1986. Surcharge has not been included.

For Civilian Supermarkets: * "1987 Supermarket Sales Manual," Progressive Grocer, July 1987. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.



Commissary Sales by Region CY 1986

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
Air Force	$1,881.9	83.7%	$366.9	16.3%	$2,248.8
Army	1,323.5	75.5	428.5	24.5	1,752.0
Navy	723.3	89.6	84.5	10.4	816.8
Marine Corps	162.2	98.1	3.1	1.9	165.3
Coast Guard	6.7	100.0			6.7
State Department			57.3	100.0	57.3
Totals	$4,106.6		$940.3		$5,046.9

$ in millions

Percent of Commissary Sales By System Worldwide CY 1986

	Worldwide Sales	Percent of Total Sales
Air Force	$2,248.8	44.6
Army	1,752.0	34.7
Navy	816.8	16.2
Marine Corps	165.3	3.3
Coast Guard	6.7	0.1
State Department	57.3	1.1
Total	**$5,046.9**	**100.0**

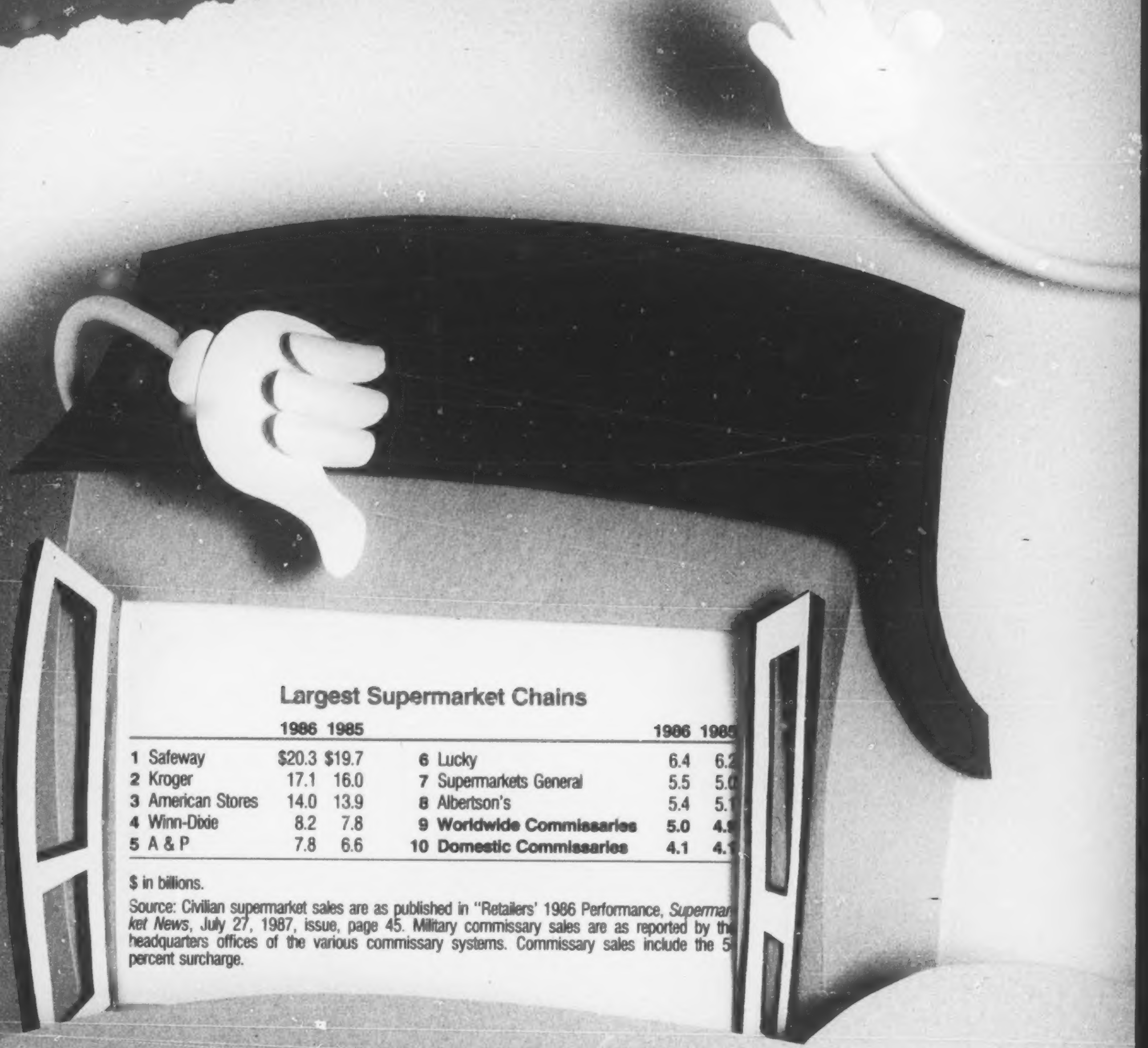
$ in millions.

Commissary Sales Growth

CY1978	CY 1979	CY 1980	CY 1981	CY 1982	CY 1983	CY 1984	CY 1985	CY 1986
$3.283	$3.604	$3.919	$4.251	$4.476	$4.705	$4.874	$4.918	$5.047

$ in billions SOURCE: Headquarter offices of commissary systems.

THE MARKET'S RETAIL SALES

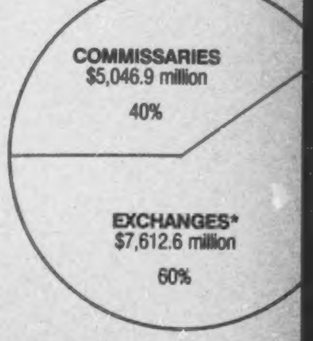


Largest Supermarket Chains

		1986	1985			1986	1985
1	Safeway	$20.3	$19.7	6	Lucky	6.4	6.2
2	Kroger	17.1	16.0	7	Supermarkets General	5.5	5.0
3	American Stores	14.0	13.9	8	Albertson's	5.4	5.1
4	Winn-Dixie	8.2	7.8	9	**Worldwide Commissaries**	**5.0**	**4.9**
5	A & P	7.8	6.6	10	**Domestic Commissaries**	**4.1**	**4.1**

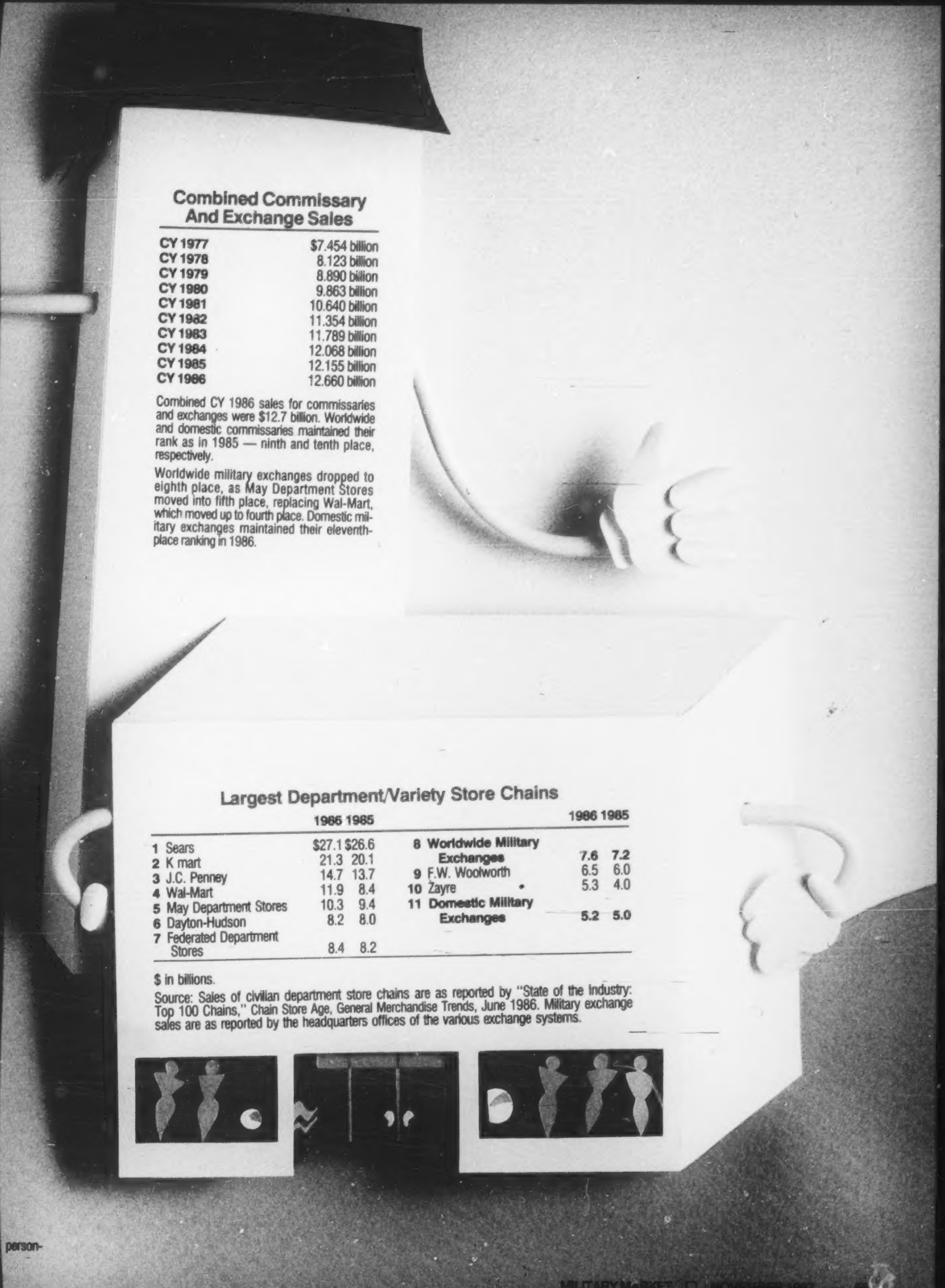
$ in billions.

Source: Civilian supermarket sales are as published in "Retailers' 1986 Performance, *Supermarket News*, July 27, 1987, issue, page 45. Military commissary sales are as reported by th headquarters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.



TOTAL
$12,659.5 million
100%

*Includes sales by mail order catalog, concessions, al services, etc.



Combined Commissary And Exchange Sales

CY 1977	$7.454 billion
CY 1978	8.123 billion
CY 1979	8.890 billion
CY 1980	9.863 billion
CY 1981	10.640 billion
CY 1982	11.354 billion
CY 1983	11.789 billion
CY 1984	12.068 billion
CY 1985	12.155 billion
CY 1986	12.660 billion

Combined CY 1986 sales for commissaries and exchanges were $12.7 billion. Worldwide and domestic commissaries maintained their rank as in 1985 — ninth and tenth place, respectively.

Worldwide military exchanges dropped to eighth place, as May Department Stores moved into fifth place, replacing Wal-Mart, which moved up to fourth place. Domestic military exchanges maintained their eleventh-place ranking in 1986.

Largest Department/Variety Store Chains

		1986	1985
1	Sears	$27.1	$26.6
2	K mart	21.3	20.1
3	J.C. Penney	14.7	13.7
4	Wal-Mart	11.9	8.4
5	May Department Stores	10.3	9.4
6	Dayton-Hudson	8.2	8.0
7	Federated Department Stores	8.4	8.2
8	**Worldwide Military Exchanges**	**7.6**	**7.2**
9	F.W. Woolworth	6.5	6.0
10	Zayre	5.3	4.0
11	**Domestic Military Exchanges**	**5.2**	**5.0**

$ in billions.

Source: Sales of civilian department store chains are as reported by "State of the Industry: Top 100 Chains," Chain Store Age, General Merchandise Trends, June 1986. Military exchange sales are as reported by the headquarters offices of the various exchange systems.

person-

Is Smoking Going INTO The Closet?

A nationwide movement continues to push smoking into its own corner. And while tobacco marketers and vendors still make a nice profit and can easily argue the pro-tobacco line, they are upset about another movement: DoD restrictions on promotions and, now, not enough shelf space in stores.

Gone are the glamour days of smoking.

Ten months after it began, the Defense Department's deglamorization program has changed attitudes and numbers.

Military tobacco sales are down an average of 10 percent.

The elimination of promotional activity has been the primary cause, military sales managers told MILITARY MARKET.

While promotional efforts by tobacco manufacturers in the civilian market are at an all-time high, resale system promotions were halted on the first of January of this year.

At that time, the Defense Department directed each service to eliminate all military-specific coupons, stop all promotional activities in stores, require stores to display the Surgeon General's warning, eliminate point-of-sale material, and stop special tobacco displays.

The order also restricted military personnel from participating in manufacturer-sponsored activities which promote tobacco.

Tobacco sales managers are still upset about the decision to stop promoting their products. But now they are more concerned with an issue that all suppliers care about — getting enough shelf space in commissaries.

"Space limitations are hampering our sales," said one national sales manager.

By Beverly Jones, Associate Editor

Photographs by Kate Patterson

market report

The Air Force Commissary Service did cut down the number of cigarette brands to 100 items or fewer. They used to carry anywhere from 100 to 150 lines of cigarettes.

"And that wasn't part of the required program by DoD — they just did it on their own," the manager added angrily.

"We've lost from three to five brands, depending on the region," said Irv Otte, director of vending and military sales for Brown & Williamson Tobacco Co.

While the Army's Troop Support Agency has not decreased the number of lines in its tobacco section, AFCOMS did wind up decreasing its number of tobacco lines because of its new Master Stock List program.

The Master Stock List was begun in January 1987 for all store product categories, "to obtain optimum product mix," said Mike Hawkins, deputy director of AFCOMS public affairs.

Air Force commissary officials feel that "100 brands of cigarettes will take care of 98 percent of customer demand," said Hawkins.

However, the number of 100 isn't set in stone. "The stores and regions can exceed the maximum if necessary to satisfy customer demand," he said.

"Since the selection of brands to be stocked is a local option, we are unable to determine the impact by subcategory. However, we do not feel there has been significant impact," Hawkins said.

(Marine Corps commissaries don't sell tobacco products at all. Only five Navy stores do: Pearl Harbor, Hawaii; two stores in Charleston, S.C.; Guam, and Atsugi, Japan.)

The Military's Side of the Story

How are vendors dealing with the stock limits?

One sales manager outlined his theory. "Our approach to the military is this: If you cut brands, you cut sales. You then cut service to your patrons and dollars to the surcharge pot."

"Is that something they want to do?" he added.

While tobacco sales managers complain about a lack of shelf space, their employers are creating new problems for them — new brands and new line extensions of old brands, all of which they have to try to get on the shelves. Some established brands, like Philip Morris' Marlboro for example, have as many as as seven variations. *[EDITOR'S NOTE: See separate market report on page 72.]*

While civilian tobacco sales slid 2 percent in 1986, military tobacco sales skidded down 10 percent or more this year over last. All the resale services, except Navy commissaries, reported a decline in tobacco sales in their estimated fiscal 1987 figures.

Knowing that tobacco represents a hefty 10 percent or so of all commissary sales, nobody was very happy when the deglamorization program was conceived during the spring of 1985.

But the services had no choice, because the directive came from the Secretary of Defense. "The Secretary felt smoking affected readiness," a DoD source said.

In March 1985, a DoD report listed four alternatives to curb smoking in the military. They were to eliminate tobacco from the stores, to raise the prices to civilian levels, to maintain the status quo, or to institute an educational program to discourage smoking, the DoD source said. The last option was chosen because it was least damaging, while still actively discouraging the military from smoking.

A report on smoking and health issued this June noted that total military tobacco sales have declined 10 to 17 percent since the educational program began in March 1985.

The program's goal is to reduce the number of smokers in the military by 10 percent a year.

A biennial DoD-wide survey, to be published next spring, will tell if the goal has been accomplished.

From the resale system's point of view, the program has worked.

AFCOMS has reported a decrease for 1987 — but declined to say how much.

The Army posted a 8.6 percent drop in unit volume for the first and second quarters of 1987 compared with the same periods last year.

It's no different in exchanges, where managers are also feeling the effects of the deglamorization program.

The Army and Air Force Exchange Service reported a sales decrease of more than 12 percent from fiscal 1986 to fiscal 1987.

Navy exchanges haven't reported any 1987 figures yet, but sales dropped 4.9 percent in fiscal year 1986.

(The five Navy commissaries that sell tobacco bucked the negative sales trend. Sales in those stores increased 4.2 percent between August 1986 and August 1987.)

A portion of AAFES' decrease, according to Mike Frakich, the agency's tobacco buyer, comes from the pricing disparity between commissaries and exchanges.

AAFES does not offer as many lines items in the category as most commissaries. "We stock 40 line items to their 100," Frakich said.

"We've lost from three to five brands, depending on the region."

market report

ON-BASE CIGARETTE SALES

	DOMESTIC
Exchanges*	$279,867,000
Commissaries	246,913,800
Clubs	49,442,000
Total	**$576,222,800**
	OVERSEAS
Exchanges*	$65,011,400
Commissaries	46,700,500
Clubs	23,381,500
Total	**$135,293,400**
	WORLDWIDE
Exchanges*	$344,878,400
Commissaries	293,614,300
Clubs	73,023,500
Total	**$711,516,200**

CY 1986 * INCLUDES VENDING MACHINE SALES. SEE NOTES ON PAGE 73.

MILITARY PER CAPITA CIGARETTE SALES

YEAR	PER CAPITA
1986	7,450
1985	7,679
1984	8,289
1983	8,591
1982	8,872
1981	8,698
1980	8,603
1979	8,598
1978	9,091
1977	8,924
1976	9,140
1975	9,036
1974	9,061
1973	8,612

IN UNITS, WORLDWIDE ONLY. FOR ADULTS 18 OR OLDER, ON-BASE SALES SEE NOTES ON PAGE 73.

As the resale systems build more shopping malls, customers have an easier time comparing the higher exchange prices with the lower ones in commissaries. Having the two stores next door to each other ends up having a negative effect on exchange tobacco sales.

"We do get single soldiers who don't want to wait in line at the commissary [to buy cigarettes]," Frakich noted, while commissaries tend to attract families already there for their food shopping.

Consumption Equals Sales

Nationwide, waning tobacco sales reflect the decreasing number of people who smoke.

The national Center for Disease Control reports that 26.5 percent of adults were smokers in 1986 — compared to 40 percent in 1964. The agency also said that 29.5 percent of the male population smokes — compared with 23.5 percent of women. The highest smoking rate is among black males between the ages of 25 and 44 — 46.9 percent.

Other government analysts estimate that today just less than one-third of the population over 18 years old smokes. During the 1950s, about half of the population over 18 years old smoked.

Whichever numbers are used, the number of smokers is continually decreasing, while the number of tobacco opponents is increasing. Tobacco manufacturers and their interests have never lobbied harder than during the past several years.

In the past year, attacks on military smoking from outside the resale industry have had far-reaching effects on where military and government employees can smoke. Many public places where smoking was the norm now are off-limits. *[EDITOR'S NOTE: See report on legislation below on this page.]*

Yet even with the decreasing demand, industry anaylsts say tobacco manufacturers are still making a decent buck.

"Despite increasing anti-smoking legislation, local restrictions and negative publicity, consumer sales continue to decline at approximately the 2 percent rate, which has been the past pattern," according to *The Maxwell Report* for the second quarter of 1987. (Author John C. Maxwell is an analyst with Furman Selz Dietz Mager & Birney and a longtime tobacco industry watcher.)

"Tobacco companies are one of the biggest profit-makers in the country," he told MILITARY MARKET. Despite disappointing sales figures, Maxwell concluded, they are still doing well. **MM**

Nothing Yet — Still, Anti-Smoking Proposals In the Air on Capitol Hill

To date, no legislation affecting tobacco sales in the resale system has been introduced on Capitol Hill in the current session.

Although Sen. Jeff Bingaman (D-N.M.) attempted in reintroduce his bill to raise the price of tobacco in commis-

market report

> *"Our approach to the military is this: If you cut brands, you cut sales. You then cut service to your patrons and dollars to the surcharge pot."*

> *"Is that something they want to do?"*

WORLDWIDE MILITARY ON-BASE CIGARETTE SALES

Year	Total	Exchanges	Commissaries	Clubs
1991*	$918.0	$435.0	$386.0	$97.0
1986	711.5	344.9	293.6	73.0
1985	726.2	349.1	297.9	79.2
1984	734.3	358.8	295.3	80.2
1983	725.5	369.9	274.5	81.1
1982	708.5	364.8	269.5	74.2
1981	668.0	347.8	251.0	69.1
1980	619.5	332.4	223.2	63.8
1979	574.0	308.2	207.2	58.6
1978	560.5	314.3	190.3	55.9
1977	518.1	294.6	171.4	52.1
1976	499.1	281.6	168.0	49.5
1975	489.4	273.6	167.0	48.8
1974	447.0	251.0	150.0	46.0
1973	431.7	249.0	139.7	43.0

DOLLARS IN MILLIONS * IN CONSTANT DOLLARS OF 1986 PURCHASING POWER.
SEE NOTES ON PAGE 73.

saries to prevailing civilian prices, it never got out of committee and onto the floor of the Senate. His office told MILITARY MARKET that Bingaman might try again in the future.

The climate for civilian anti-smoking regulations continues to be active. Nearly six times as many tobacco-related measures were introduced in the 99th Congress as in the 96th, according to the Tobacco Institute.

Pending legislation in the 100th Congress includes:

☐ Restricting smoking on airplane flights of two hours or less. This cabin air quality issue has the best chance of any anti-smoking legislation, said Fran Dumelle, director of government relations for the American Lung Association. The amendment has passed the House and is awaiting action in the Senate, where it faces tougher scrutiny.

The Reagan administration said last month it opposes legislation to ban smoking on domestic airline flights and will leave such matters up to airline companies to decide.

(Air Canada has banned smoking on all flights within Canada and on flights from Toronto to New York. The California legislature recently adopted legislation banning smoking on intrastate flights beginning in January.)

☐ Raising the federal excise tax on tobacco. This is an issue Congress sometimes considers when it's looking for ways to raise additional revenue. The current proposal, still in committee on both sides of Congress, calls for doubling the tax from the current 16¢ to 32¢.

When the tobacco industry was hit with an increase of 8¢ in 1983, it suffered a 5-percent drop in unit sales. If the 16¢ is added, unit sales will fall at least that much, predicts a Tobacco Institute spokesman.

The Tobacco Institute terms this a regressive tax because it hits the lowest-income segment and hurts minority groups, which tend to smoke more than non-minorities. The American Lung Association retorts that the proposed rate is only keeping up with inflation and calls it "a user fee" — not "a luxury tax," as others have defined it.

Reynolds Fires Back: Yes, We Have Invented The Smokeless Cigarette

A smokeless cigarette? It sounds like a contradiction in terms — but not to R.J. Reynolds.

Reynolds Tobacco, a subsidiary of RJR Nabisco, created a stir in September when it announced that its scientists had developed a smokeless cigarette.

The cigarette eventually will be sold in commissaries when it comes out of hiding sometime next year. As per usual industry procedure, it will be test marketed first, then rolled out nationally.

The brand name hasn't been publicized yet, but it is expected that the smokeless wonders will sell at a price comparable to other name brands.

According to Reynolds, the cigarette is based on "new technology that heats rather than burns tobacco to provide smokers with tobacco taste and satisfaction."

Although it looks, lights and smokes like other cigarettes, it produces no ash. And its construction is totally

market report

CIGARETTE USE BY THE MILITARY IS SIGNIFICANTLY GREATER THAN THE U.S. AVERAGE

	U.S. Average Per Capita*	Military Per Capita**	Military Index
U.S.	3,274	—	—
Military	—		
Worldwide	—	7,450	228
Domestic	—	7,011	214
Overseas	—	9,511	291

* CIGARETTES PER CAPITA, TOTAL U.S ADULTS 18 OR OLDER.
** CIGARETTES PER CAPITA, MILITARY ADULTS 18 AND OLDER, ON-BASE SALES ONLY. CY 1986 SEE NOTES ON PAGE 73.

CIGARETTES ARE THE THIRD LARGEST CATEGORY IN THE WORLDWIDE RESALE MARKET

RANK	CATEGORY	AMOUNT
#1	Meat	$ 1,160
#2	Civilian clothing	1,137
#3	Cigarettes	712
#4	Consumer electronics	693
#5	Cosmetics, drugs, toiletries	591
#6	Household supplies	523

DOLLARS IN MILLIONS, 1986. SEE NOTES ON PAGE 73.

different from other cigarettes. Because the cigarette doesn't actually burn, it contains no tar — a product of combustion.

Instead, after the cigarette is lit by an ordinary match, heat from the charcoal-insulated tip enters a flavor capsule which is packed in tobacco. The heat is then cooled as it passes through the filter and inhaled by the smoker.

The cigarette remains lit for the same length of time as a regular king-size, but it extinguishes itself and doesn't need to be crushed out. Another feature, the North Carolina company said, is that it won't ignite other materials when lying flat on a surface.

It also uses 70 percent less tobacco than ordinary cigarettes.

"We think this will be the world's cleanest cigarette," said Edward A. Horrigan Jr., chairman and chief executive officer of R.J. Reynolds.

He said that, after the first few puffs, the cigarette releases virtually no "sidestream" smoke. For that reason, "we believe it will be well-received by those people who object to tobacco smoke."

Smoking opponents have battled over environmental tobacco smoke — ETS — since the early 1980s. A number of studies have suggested a link between tobacco smoke in the environment and lung cancer but the tobacco industry has disputed them.

The advent of a smokeless cigarette appears to address the ETS issue.

But many persons in the tobacco industry have lambasted Reynolds over its new development, saying that its existence admits that ETS does exist and is harmful to nonsmokers.

On the social end of the tobacco question, the new development comes at an appropriate time. Smokers are more restricted in public than ever before, having to use specified smoking areas at work and restaurants or not smoking at all in order to get a job.

Realizing this, Reynolds created a cigarette for smokers in social situations where the smoke might offend others.

"It became so obvious that we had to develop a new cigarette that went beyond tar reduction to address the perceptions regarding cigarettes," Horrigan said.

The question not yet answered is whether the new cigarette is really smokeless or not.

To date, Reynolds hasn't allowed outside organizations to study it, according to Tim Hensley of the Office of Smoking and Health in the U.S. Department of Health and Human Services.

"As far as I know, no one has had the chance to look at it," Hensley told MILITARY MARKET. But, he added, "it still has nicotine in it, and nicotine is a drug."

Reynolds' own scientists are conducting tests on the new cigarette, and the results will be made available to the scientific community, the company said.

When the story broke in mid-September, Reynolds wasn't quite ready to unveil its new technology, having planned on waiting until 1988 to announce the development. But the story got prematurely broadcast — thanks to a tip to the Cable News Network. The next day the company scheduled a press conference in New York.

Horrigan said it was still too soon to assess the cigarette's impact on the market. Other tobacco companies said they'll be anxiously watching its developments.

market report

Cigarette Niches: Another Slice Would Be Nice

With more than 250 cigarette brands now competing in a deteriorating market, manufacturers are slicing their niches as thin as they can.

Take the female "slims" market, for example. . . .

Slim cigarettes are thinner and longer than regular smokes and are usually pitched to women.

The "slims" market represents close to 9.5 percent of total adult smokers. Several new products and line extensions came out this year.

"They are really going after the female market," one tobacco sales manager said.

Using upscale packaging, Brown & Williamson introduced Capri this year to attract women. The 100mm cigarette went national in May after a 6-month test in Louisiana.

Just 17 millimeters in circumference, the cream-colored tube is more than slim — it's ultra-slim. "The Capri concept has been tailored to create a decidedly high-style product," a company spokesman said.

The packaging is an interesting highlight. The flip-top box features a pastel watercolor logo, with the words, "Trim and Light," set at the bottom of the box.

Capri competes with Liggett & Myers' Eve brand and Philip Morris's Virginia Slims.

Lorillard extended its Newport name to Newport Stripes this summer. A thin 100mm, it is also designed for women. The Newport line is one of the fastest-growing brands, with 3.8 percent of the market share at the end of 1986 — up from 3.4 percent in 1985, reported tobacco expert John C. Maxwell, author of *The Maxwell Report*.

R.J. Reynolds Tobacco U.S.A. used the same concept with its popular Salem line. Earlier this year, the company introduced Salem Lights 100s in a new package with a crush-proof box.

Male smokers, too, are being lured by new images and packaging.

Lorillard's new Harley-Davidson cigarette is a manly case in point.

"Our objective is to capitalize on Harley-Davidson's pre-existing image to generate interest and appeal to the male segment of the cigarette market," said Victor Lindsley, brand manager.

"The Harley-Davidson name was licensed because of Harley's all-American image," he said.

The new brand entered a test market in Terre Haute, Ind., this fall. Full-flavored, Harley-Davidson is packaged in black with a gold eagle that appeals to many men's sense of power.

Harley will compete against the industry's front runners — Philip Morris' Marlboro, the No. 1 cigarette, and No. 2 Winston, from RJR.

Price/Value Market = Low-Price Cigarettes

As prices increase, the price/value segment has captured more market shares. Almost non-existent just a few years ago, this market now represents nearly 9 percent of all retail cigarette sales in the United States.

Low-price cigarettes (The words, *price/value segment*, are what the industry likes to say.) fall into several subcategories: generic-priced brands, value-priced 25s, private label, and plain-packaged generic cigarettes.

The fastest-growing of those subcategories in both exchanges and commissaries are branded generics, despite their lower profit margins for manufacturers. While the packaging looks like that of a regular-priced cigarette, the price is significantly lower.

In Navy exchanges, generics account for 12 percent of all cigarette sales, according to a report given this spring to NAVRESSO's Advisory Committee. This segment alone generates a gross profit of 40 percent — compared to 22 percent for branded cigarettes, the report said.

The branded generic category is "the field everyone is looking to in the military," Ted Costas, national manager for military accounts at Philip Morris U.S.A., told MILITARY MARKET.

"Branded generics give customers a branded look without the higher price," said Carol Jova, a spokeswoman for Liggett & Myers. The Durham, N.C., company is one of the smaller tobacco companies, but it is also one of the most active in the generic market.

"They are really going after the female market."

"Our objective is to . . . appeal to the male segment of the cigarette market."

Branded generics made up 28 percent of the total low-price segment. *The Maxwell Report* says that they have provided all the growth at the expense of black and white or plain-packaged generics.

Reynolds' Doral brand is a success story in this category. Doral was reintroduced in 1984 as a branded generic. Overall sales increased 70 percent last year.

"Doral is the fastest-growing cigarette in commissaries," said Ralph Gaillard, national military sales manager for Reynolds.

Although Doral is No. 1 in growth in commissaries, Marlboro holds the top sales slot in the overall resale business.

One of Doral's principal competitors is Philip Morris' Cambridge. "We've closed some of the gap between Doral and Cambridge," said PM's Costas.

Both Philip Morris and Reynolds are extending their lines. While Doral is Reynolds' low-priced star, the company hopes its new Magna brand will be another Doral in the generic-priced segment.

Magna, packaged in a crush-proof box, was tested in 10 markets earlier this year. It will be marketed to the 18-to-34 age group which is image-conscious but don't want the higher prices of brand name cigarettes.

American Tobacco Co. introduced its first generic-priced cigarette this year. Malibu was tested in Washington state, New Hampshire and Illinois. It's available in regular, lite and menthol flavors.

Falcon Lights, a branded generic, tested by Brown & Williamson in 1986, has rolled out nationally and is in commissaries.

B&W's Richland 25s are now being tested in a 20-pack, said Irv Otte, vending and military sales director. "People do not understand the 25-pack proposition," he said. So B&W is testing Richland in both sizes to see which sells better.

The 25-pack, marketed to consumers as five free cigarettes for the price of 20, did not do as well as the company had hoped. "The value 25s have plateaued and may even be declining now that the period of new introductions and heavy support has ended," says Maxwell.

Liggett hopes its new size for L&Ms will do what 25s did not — L&M 30s have 10 extra cigarettes at the price of a pack of 20.

"L&M introduced the very first generic cigarettes," said Hal Grant, Liggett's senior vice president for sales and marketing. "It's only natural that we should be taking a leadership role in expanding this market segment by introducing the first 30-per-pack brand."

L&M 30s are being test-marketed in eight areas and are available in a Light 100s soft pack.

NOTES ON THE CIGARETTE CHARTS

1 — Sales data were provided by the headquarters offices of the various on-base resale systems: exchanges, commissaries and clubs.

2 — Military population figures for per capita computations were obtained from the Department of Defense. Civilian population figures for per capita computations were obtained from the "Survey of Buying Power," published by *Sales and Marketing Management.*

3 — Total U.S. cigarette sales were obtained from "Tobacco Outlook and Situation," published by the U.S. Department of Agriculture, Economics, Statistics and Cooperative Services.

4 — Computations were provided by the Research Department, Army Times Publishing Co.

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AUDIOVOX

market report

Have A Premium Cigar? A Cigarette Substitute?

The cigar industry deals with the same scrutiny the cigarette industry does, and from the same opponents — only more so. And cigar smokers have been restricted to where they can smoke a lot longer than cigarette smokers.

The cigar category is still sliding in terms of sales — with overall sales down 9 percent last year.

But declining sales are caused by something different than the cigarette market faces. Cigar smokers are simply decreasing their intake, not quitting, according to the Cigar Association of America.

"Years ago, the cigar smoker averaged 20 to 30 cigars a week. Now, it's eight to 12 cigars per week," said CAA's Steve Cowherd.

According to John C. Maxwell's industry report on cigars, all cigar categories declined, as little cigars took the biggest hit. The large cigar category fell 5.5 percent; cigarillos dropped 2.9 percent. Little cigars plummeted 20.9 percent.

There is one exception to the growth trends, though: In the premium group, where cigars sell for 50¢ or more, Maxwell said in his report.

"The only bright stop is the premium market," agreed CAA's Cowherd. This premium category represents 23 percent of total cigar revenue, he said, and 6 percent of total cigar volume.

Something New on the Smokeless Front

When it's impolite to light up in public or it's illegal to do so in a nonsmoking area, Pinkerton Tobacco Co. has come to the rescue.

The company is testing a smoking alternative called Masterpiece Tobacs. Tobacs are made from finely ground tobacco leaf which is mixed with cinnamon or peppermint flavorings. The soft cubes look like pieces of chocolate candy.

The result is a smokeless tobacco that can be chewed for a gradual release of tobacco and nicotine. It's more like a gum (though the company doesn't call it that) than chewing tobacco or snuff.

Tested this year in Baltimore, Birmingham, Phoenix, and Columbus, Ohio, the company expects to go national sometime next year.

"Tobacs are a substitute for cigarettes, not [a substitute] for chewing tobacco," a Pinkerton spokeswoman said. "They are used in situations where smoking is inappropriate." Restaurants, theaters, airplanes, public transportation and offices and factories are examples of "those everyday non-smoking situations" where smokers can use Masterpiece as an alternative.

The flip-top box package is designed to look and feel like other tobacco products.

Tobacs, the company says, aren't to be confused with nicotine gums that are designed to help smokers kick the habit. "It is intended as an alternative for adult tobacco users to find tobacco satisfaction in another form," according to a Pinkerton statement.

Smokeless tobacco is another non-smoking tobacco. It comes in two basic types — chewing and snuff, with several different varieties of each.

Sales in this $1-billion market are divided almost evenly between snuff and chewing tobacco.

Overall, smokeless tobacco unit sales were down 6.2 percent in 1986, "the largest decline in recent history," according to a recent *Maxwell Report*.

The decline, Maxwell said, was caused by labeling regulations and taxation on the industry. In addition, there was some bad press because of the alleged ill-health effects of using chewing tobacco.

Since most of the tobacco industry is geared toward cigarettes, smokeless tobacco manufacturers have a tough time getting shelfspace. "We beg," teased one marketer.

"We find it's a store-by-store basis," said Donna Leitao, manager of military sales for United States Tobacco Co. The Greenwich, Conn., manufacturer is focusing this year on getting its products into commissaries, she said. "We're in about 50 percent of all domestic commissaries so far."

U.S. Tobacco's nine-item line does well in exchanges, too, she said. Copenhagen is No. 1.

Military sales for the company have "substantially increased this year," she said.

"Tobacs are a substitute for cigarettes, not [a substitute] for chewing tobacco."

Military Market index

COMMISSARIES

		JULY			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
AIR FORCE	CONUS	$165,509	$160,222	3.30	$1,114,298	$1,085,979	2.61
	OVERSEAS	34,595	31,997	8.12	232,577	208,430	11.59
	TOTAL	**200,104**	**192,219**	**4.10**	**1,346,854**	**1,294,409**	**4.05**
ARMY	CONUS	115,710	112,665	2.70	782,985	760,305	2.98
	OVERSEAS	40,425	35,175	14.93	273,210	246,435	10.86
	TOTAL	**156,135**	**147,840**	**5.61**	**1,056,195**	**1,006,740**	**4.91**
NAVY	CONUS	58,198	53,994	7.79	439,006	419,072	4.76
	OVERSEAS	6,481	6,336	2.29	49,037	46,488	5.48
	TOTAL	**64,679**	**60,330**	**7.21**	**488,044**	**465,560**	**4.83**
MARINE CORPS	CONUS	13,975	13,821	1.11	94,853	98,175	-3.38
	OVERSEAS	293	273	7.33	1,915	1,861	2.90
	TOTAL	**14,268**	**14,093**	**1.24**	**96,769**	**100,036**	**-3.27**
COAST GUARD	CONUS	222	254	-12.60	1,756	1,824	-3.73
	OVERSEAS	272	215	26.51	2,123	2,000	6.15
	TOTAL	**495**	**468**	**5.77**	**3,879**	**3,824**	**1.44**
ALL COMMISSARIES	CONUS	$353,614	$340,956	3.71	$2,432,898	$2,365,355	2.86
	OVERSEAS	$82,066	$73,996	10.91	$558,862	$505,214	10.62
	TOTAL	**$435,680**	**$414,952**	**5.00**	**$2,991,760**	**$2,870,569**	**4.22**
GROCERY STORES	*U.S.[1]*	*$25.369*	*$24.211*	*4.78*	*$165.917*	*$160.099*	*3.63*

EXCHANGES

		JULY			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
AAFES	CONUS	$270,374	$237,623	13.78	$1,782,239	$1,653,409	7.79
	OVERSEAS	196,871	162,332	21.28	1,326,856	1,158,375	14.54
	TOTAL	**467,245**	**399,954**	**16.82**	**3,109,095**	**2,811,784**	**10.57**
NAVY	CONUS[2]	89,293	84,548	5.61	634,380	587,383	8.00
	OVERSEAS[2]	38,374	38,542	-0.44	274,695	259,287	5.94
	TOTAL[2]	**127,667**	**123,090**	**3.72**	**909,075**	**846,670**	**7.37**
MARINE CORPS	CONUS	30,408	28,453	6.87	200,892	191,927	4.67
	OVERSEAS	5,145	4,828	6.57	34,408	33,857	1.63
	TOTAL	**35,553**	**33,280**	**6.83**	**235,300**	**225,784**	**4.21**
COAST GUARD	CONUS[3]	6,588	6,722	-1.99	45,794	46,728	-2.00
	OVERSEAS[3]	491	501	-2.00	3,411	3,480	-1.98
	TOTAL[3]	**7,079**	**7,223**	**-1.99**	**49,205**	**50,208**	**-2.00**
MAIL ORDER	CONUS[4]	1,122	1,067	5.75	9,882	9,014	9.63
	OVERSEAS[4]	2,570	2,374	8.26	16,061	22,434	-28.41
	TOTAL[4]	**3,691**	**3,436**	**7.42**	**25,942**	**31,448**	**-17.51**
ALL EXCHANGES	CONUS	$397,785	$358,407	10.99	$2,673,187	$2,488,461	7.42
	OVERSEAS	$243,451	$208,577	16.72	$1,655,431	$1,477,433	12.05
	TOTAL	**$641,236**	**$566,984**	**13.10**	**$4,328,618**	**$3,965,894**	**9.15**
DEPARTMENT STORES	*U.S.[1]*	*$10.403*	*$9.799*	*6.16*	*$69.931*	*$66.041*	*5.89*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

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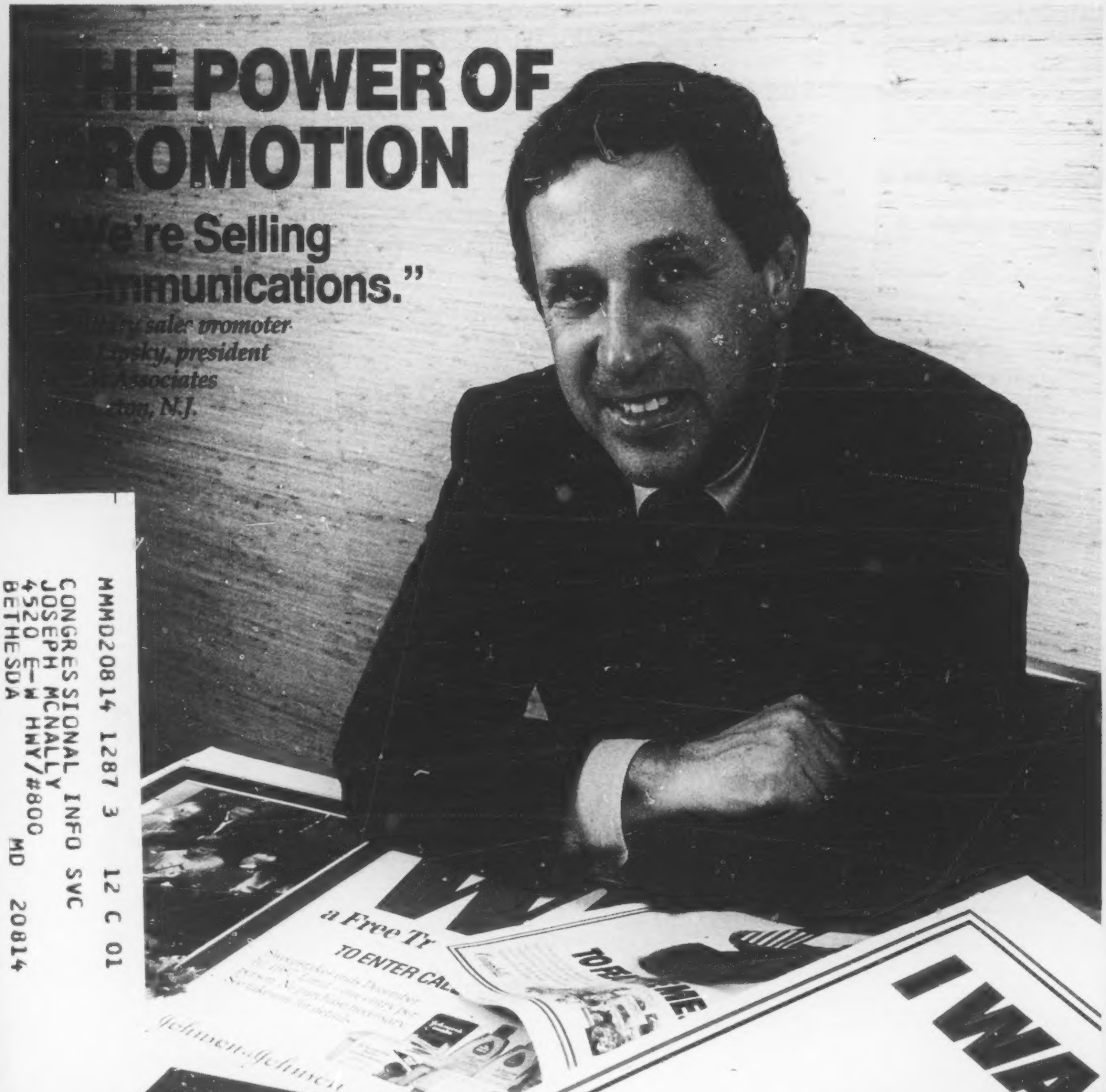
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COMMISSARIES

		AUGUST			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$159,339	$160,575	–0.77	$1,273,636	$1,246,554	2.17
	OVERSEAS	34,198	31,801	7.54	266,775	240,231	11.05
AIR FORCE	TOTAL	**193,537**	**192,376**	**0.60**	**1,540,391**	**1,486,785**	**3.61**
	CONUS	112,770	116,865	–3.50	895,755	877,170	2.12
	OVERSEAS	42,420	36,855	15.10	315,630	283,290	11.42
ARMY	TOTAL	**155,190**	**153,720**	**0.96**	**1,211,385**	**1,160,460**	**4.39**
	CONUS	58,505	56,027	4.42	497,511	475,099	4.72
	OVERSEAS	6,518	6,504	0.22	55,555	52,992	4.84
NAVY	TOTAL	**65,023**	**62,531**	**3.99**	**553,067**	**528,091**	**4.73**
	CONUS	11,582	13,764	–15.85	106,435	111,939	–4.92
	OVERSEAS	280	252	11.11	2,195	2,113	3.88
MARINE CORPS	TOTAL	**11,862**	**14,016**	**–15.37**	**108,631**	**114,053**	**–4.75**
	CONUS	224	246	–8.94	1,981	2,070	–4.30
	OVERSEAS	287	306	–6.21	2,410	2,306	4.51
COAST GUARD	TOTAL	**511**	**552**	**–7.43**	**4,391**	**4,376**	**0.34**
	CONUS	$342,420	$347,477	–1.46	$2,775,313	$2,712,832	2.30
ALL COMMISSARIES	OVERSEAS	$83,703	$75,718	10.55	$642,565	$580,932	10.61
	TOTAL	**$426,123**	**$423,195**	**0.69**	**$3,417,883**	**$3,293,764**	**3.77**
GROCERY STORES	*U.S.*[1]	*$24.250*	*$23.904*	*1.45*	*$189.843*	*$184.003*	*3.17*

EXCHANGES

		AUGUST			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$273,000	$246,321	10.83	$2,055,238	$1,899,730	8.19
	OVERSEAS	203,170	170,291	19.31	1,530,026	1,328,667	15.15
AAFES	TOTAL	**476,170**	**416,613**	**14.30**	**3,585,265**	**3,228,397**	**11.05**
	CONUS[2]	99,678	98,463	1.23	734,058	685,846	7.03
	OVERSEAS[2]	44,909	41,057	9.38	319,604	300,344	6.41
NAVY	TOTAL[2]	**144,587**	**139,520**	**3.63**	**1,053,662**	**986,190**	**6.84**
	CONUS	30,617	30,134	1.60	231,510	222,061	4.26
	OVERSEAS	5,385	4,706	14.43	39,793	38,562	3.19
MARINE CORPS	TOTAL	**36,002**	**34,840**	**3.34**	**271,303**	**260,624**	**4.10**
	CONUS[3]	6,860	7,000	–2.00	52,654	53,728	–2.00
	OVERSEAS[3]	511	521	–1.92	3,922	4,001	–1.97
COAST GUARD	TOTAL[3]	**7,371**	**7,521**	**–1.99**	**56,576**	**57,729**	**–2.00**
	CONUS[4]	954	982	–2.85	10,835	9,995	8.40
	OVERSEAS[4]	2,009	2,731	–26.44	18,070	25,165	–28.19
MAIL ORDER	TOTAL[4]	**2,963**	**3,713**	**–20.20**	**27,905**	**35,160**	**–20.63**
	CONUS	$411,109	$382,900	7.37	$3,084,295	$2,871,360	7.42
	OVERSEAS	$255,984	$219,306	16.72	$1,911,415	$1,696,739	12.65
ALL EXCHANGES	TOTAL	**$667,093**	**$602,206**	**10.77**	**$4,995,710**	**$4,568,099**	**9.36**
DEPARTMENT STORES	*U.S.*[1]	*$11.682*	*$11.213*	*4.18*	*$81.512*	*$77.254*	*5.51*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

SPECIAL SUPPLEMENT: WORLD MAPS OF COMMISSARIES AND EXCHANGES

Military Market

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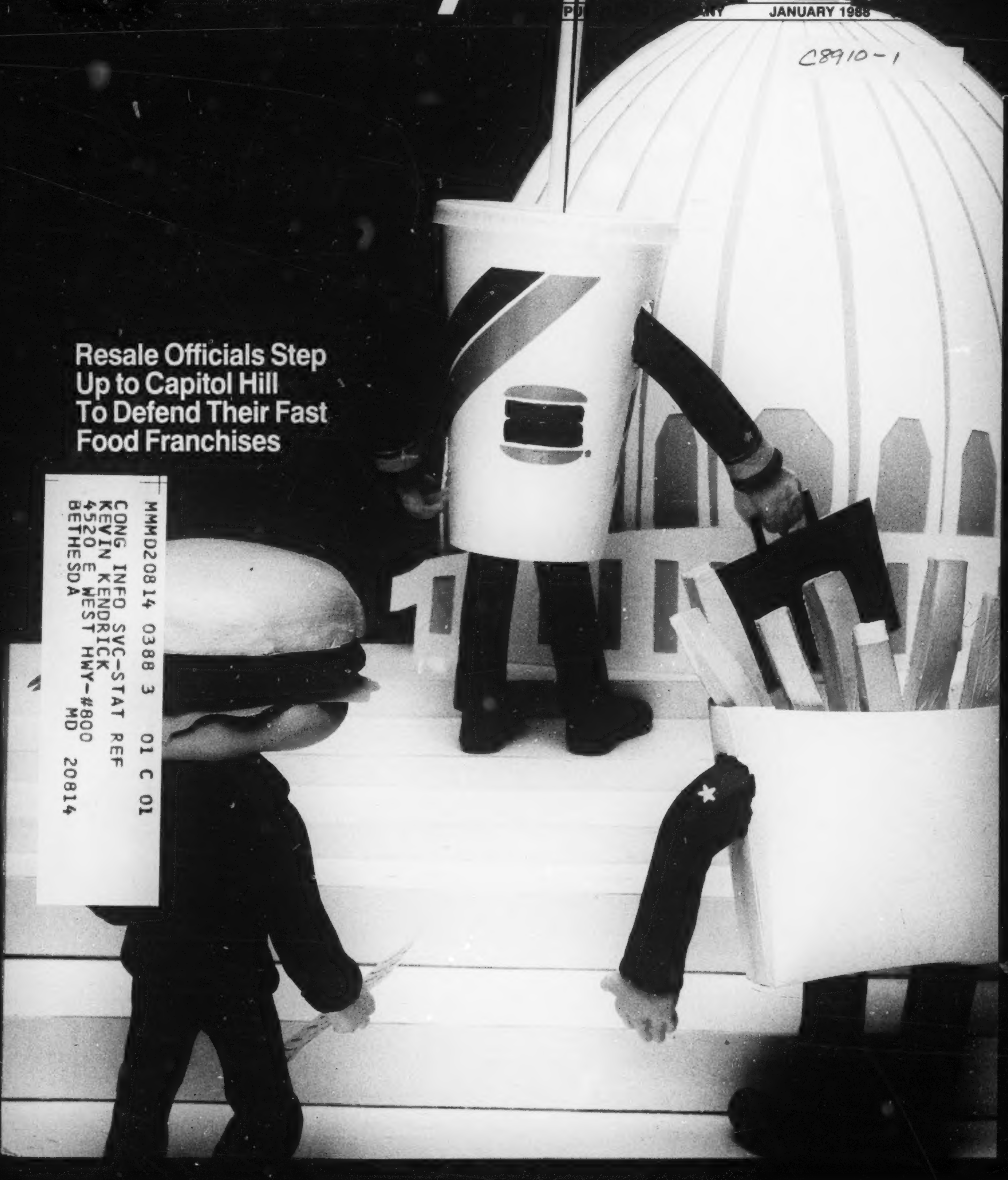

Resale Officials Step Up to Capitol Hill To Defend Their Fast Food Franchises

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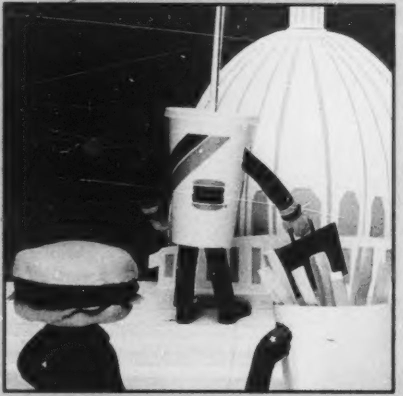

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COMMISSARIES

		SEPTEMBER CY'87	SEPTEMBER CY'86	% CHANGE	YEAR TO DATE CY'87	YEAR TO DATE CY'86	% CHANGE
	CONUS	$167,252	$147,195	13.63	$1,440,888	$1,393,748	3.38
	OVERSEAS	40,413	28,922	39.73	307,167	269,153	14.12
AIR FORCE	TOTAL	**207,665**	**176,117**	**17.91**	**1,748,055**	**1,662,902**	**5.12**
	CONUS	109,725	103,740	5.77	1,005,480	980,910	2.50
	OVERSEAS	39,165	35,070	11.68	354,795	318,360	11.44
ARMY	TOTAL	**148,890**	**138,810**	**7.26**	**1,360,275**	**1,299,270**	**4.70**
	CONUS	71,936	69,428	3.61	569,447	544,527	4.58
	OVERSEAS	7,891	8,024	−1.66	63,446	61,016	3.98
NAVY	TOTAL	**79,827**	**77,452**	**3.07**	**632,894**	**604,543**	**4.69**
	CONUS	14,958	11,932	25.36	121,393	123,871	−2.00
	OVERSEAS	273	233	17.17	2,468	2,347	5.16
MARINE CORPS	TOTAL	**15,231**	**12,165**	**25.20**	**123,861**	**126,218**	**−1.87**
	CONUS	280	219	27.85	2,260	2,289	−1.27
	OVERSEAS	327	319	2.51	2,737	2,625	4.27
COAST GUARD	TOTAL	**606**	**538**	**12.64**	**4,997**	**4,914**	**1.69**
	CONUS	$364,151	$332,514	9.51	$3,139,468	$3,045,345	3.09
ALL	OVERSEAS	$88,069	$72,568	21.36	$730,613	$653,501	11.80
COMMISSARIES	TOTAL	**$452,220**	**$405,082**	**11.64**	**$3,870,081**	**$3,698,846**	**4.63**
GROCERY STORES	*U.S.[1]*	*$23.523*	*$22.403*	*5.00*	*$213.309*	*$206.406*	*3.34*

EXCHANGES

		SEPTEMBER CY'87	SEPTEMBER CY'86	% CHANGE	YEAR TO DATE CY'87	YEAR TO DATE CY'86	% CHANGE
	CONUS	$264,342	$240,158	10.07	$2,319,581	$2,139,889	8.40
	OVERSEAS	204,535	172,497	18.57	1,734,561	1,501,164	15.55
AAFES	TOTAL	**468,877**	**412,656**	**13.62**	**4,054,142**	**3,641,052**	**11.35**
	CONUS[2]	95,325	91,075	4.67	829,383	776,921	6.75
	OVERSEAS[2]	40,853	41,976	−2.68	360,457	342,320	5.30
NAVY	TOTAL[2]	**136,178**	**133,051**	**2.35**	**1,189,840**	**1,119,241**	**6.31**
	CONUS	28,808	28,314	1.74	260,317	250,376	3.97
	OVERSEAS	5,338	5,131	4.03	45,132	43,693	3.29
MARINE CORPS	TOTAL	**34,146**	**33,445**	**2.10**	**305,449**	**294,068**	**3.87**
	CONUS[3]	6,767	6,905	−2.00	59,421	60,633	−2.00
	OVERSEAS[3]	504	514	−1.95	4,426	4,515	−1.97
COAST GUARD	TOTAL[3]	**7,271**	**7,419**	**−1.99**	**63,847**	**65,148**	**−2.00**
	CONUS[4]	875	907	−3.53	11,711	10,903	7.41
	OVERSEAS[4]	1,493	2,323	−35.73	19,562	27,488	−28.83
MAIL ORDER	TOTAL[4]	**2,368**	**3,231**	**−26.71**	**30,273**	**38,391**	**−21.15**
	CONUS	$396,117	$367,359	7.83	$3,480,413	$3,238,722	7.46
	OVERSEAS	$252,723	$222,441	13.61	$2,164,138	$1,919,180	12.76
ALL EXCHANGES	TOTAL	**$648,840**	**$589,800**	**10.01**	**$5,644,551**	**$5,157,902**	**9.44**
DEPARTMENT STORES	*U.S.[1]*	*$10.711*	*$10.122*	*5.82*	*$92.247*	*$87.376*	*5.57*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

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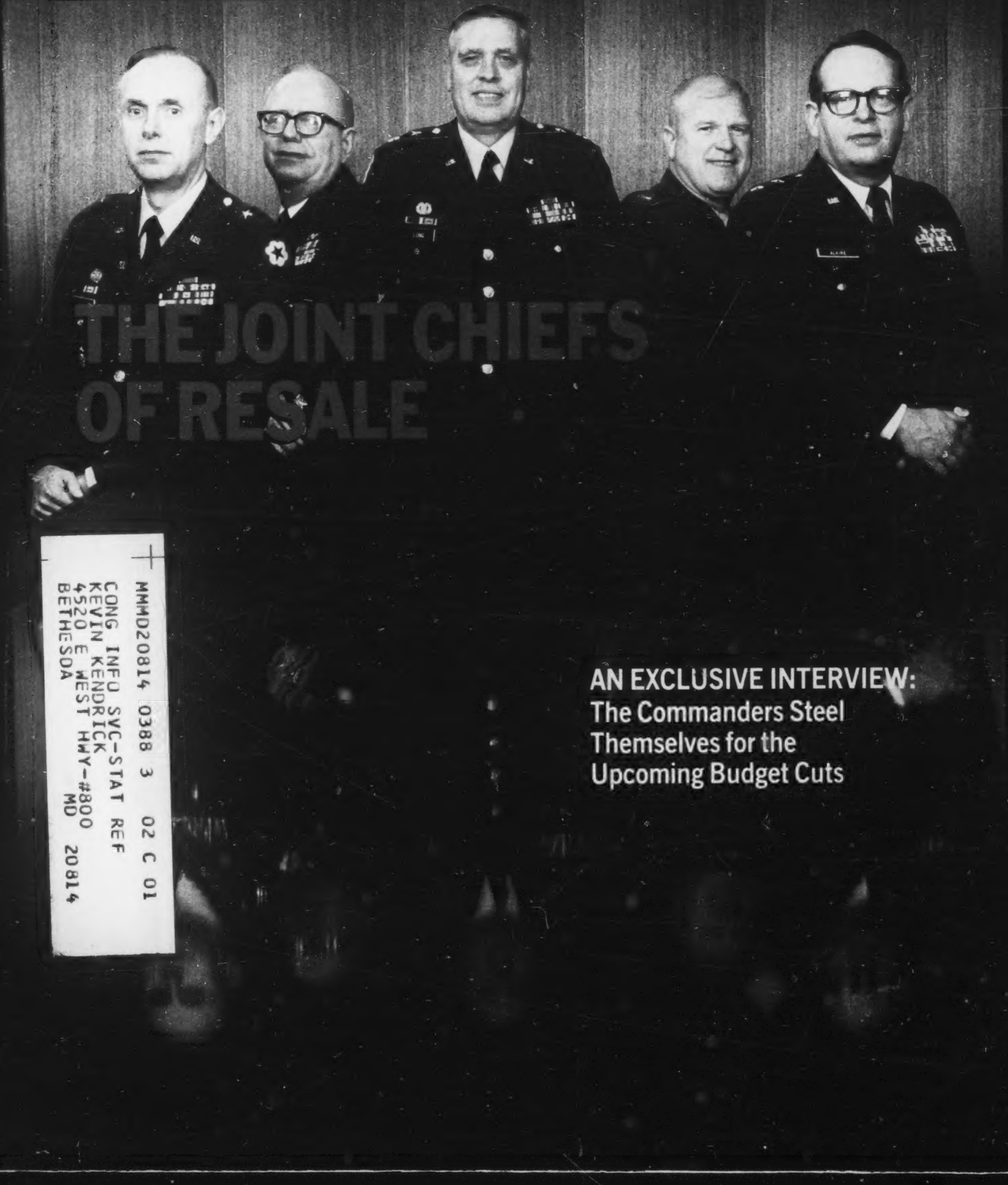

THE JOINT CHIEFS OF RESALE

AN EXCLUSIVE INTERVIEW:
The Commanders Steel Themselves for the Upcoming Budget Cuts

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CONG INFO SVC-STAT REF
KEVIN KENDRICK
4520 E WEST HWY-#800
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COVER DESIGN BY PAUL JORDAN; COVER PHOTO BY KATE PATTERSON

Military Market
serving the military resale system

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Military Market index

COMMISSARIES

		OCTOBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$175,174	$165,386	5.92	$1,616,063	$1,559,134	3.65
	OVERSEAS	38,265	32,601	17.37	345,431	301,754	14.47
AIR FORCE	TOTAL	**213,439**	**197,987**	**7.80**	**1,961,495**	**1,860,889**	**5.41**
	CONUS	123,795	115,185	7.47	1,129,275	1,096,095	3.03
	OVERSEAS	45,360	38,430	18.03	400,155	356,790	12.15
ARMY	TOTAL	**169,155**	**153,615**	**10.12**	**1,529,430**	**1,452,885**	**5.27**
	CONUS	59,599	57,224	4.15	629,046	601,751	4.54
	OVERSEAS	6,958	6,667	4.36	70,404	67,683	4.02
NAVY	TOTAL	**66,557**	**63,891**	**4.17**	**691,451**	**668,434**	**3.44**
	CONUS	14,892	14,603	1.98	135,285	138,474	–2.30
	OVERSEAS	361	274	31.75	2,829	2,620	7.98
MARINE CORPS	TOTAL	**15,254**	**14,876**	**2.54**	**139,115**	**141,094**	**–1.40**
	CONUS	242	291	–16.84	2,503	2,580	–2.98
	OVERSEAS	284	280	1.43	3,021	2,905	3.99
COAST GUARD	TOTAL	**526**	**571**	**–7.88**	**5,523**	**5,485**	**0.69**
	CONUS	$373,702	$352,689	5.96	$3,512,172	$3,398,034	3.36
ALL	OVERSEAS	$91,228	$78,252	16.58	$821,840	$731,752	12.31
COMMISSARIES	TOTAL	**$464,930**	**$430,941**	**7.894**	**4,334,012**	**$4,129,786**	**4.95**
GROCERY STORES	*U.S.*[1]	*$25.969*	*$25.284*	*2.71*	*$251.661*	*$244.354*	*2.99*

EXCHANGES

		OCTOBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$273,276	$246,917	10.68	$2,592,857	$2,386,805	8.63
	OVERSEAS	224,063	180,390	24.21	1,958,624	1,681,554	16.48
AAFES	TOTAL	**497,339**	**427,307**	**16.39**	**4,551,481**	**4,068,395**	**11.88**
	CONUS[2]	106,917	95,467	11.99	936,300	872,388	7.33
	OVERSEAS[2]	44,660	42,176	5.89	405,117	384,49	5.36
NAVY	TOTAL[2]	**151,577**	**137,643**	**10.12**	**1,341,417**	**1,256,884**	**6.73**
	CONUS	31,332	29,915	4.74	291,649	280,291	4.05
	OVERSEAS	5,127	4,990	2.75	50,258	48,683	3.24
MARINE CORPS	TOTAL	**36,459**	**34,906**	**4.45**	**341,907**	**328,974**	**3.93**
	CONUS[3]	6,739	6,877	–2.01	66,160	67,510	–2.00
	OVERSEAS[3]	502	512	–1.95	4,928	5,027	–1.97
COAST GUARD	TOTAL[3]	**7,241**	**7,389**	**–2.00**	**71,088**	**72,537**	**–2.00**
	CONUS[4]	1,274	1,318	–3.34	12,985	12,221	6.25
	OVERSEAS[4]	2,112	2,719	–22.32	21,674	30,207	–28.25
MAIL ORDER	TOTAL[4]	**3,386**	**4,037**	**–16.13**	**33,659**	**42,428**	**–20.67**
	CONUS	$419,538	$380,494	10.26	$3,899,951	$3,619,215	7.76
	OVERSEAS	$276,464	$230,787	19.79	$2,440,601	$2,149,967	13.52
ALL EXCHANGES	TOTAL	**$696,002**	**$611,281**	**13.86**	**$6,340,552**	**$5,769,182**	**9.90**
DEPARTMENT STORES	*U.S.*[1]	*$11.903*	*$11.001*	*8.20*	*$104.123*	*$98.377*	*5.84*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

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Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY MARCH 1988 $4.00

A gentleman's gentleman, a legislator's legislator

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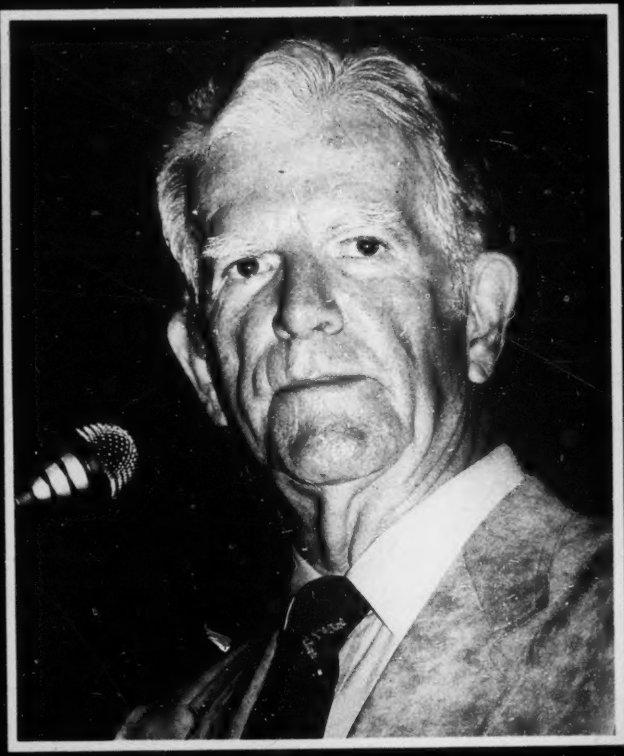

Dan Daniel of Virginia
(1914-1988)

"So my memory of Dan Daniel will be memories of gratitude—that I knew him and that perhaps a portion of his character may become a part of me."

Rep. Bill Nichols

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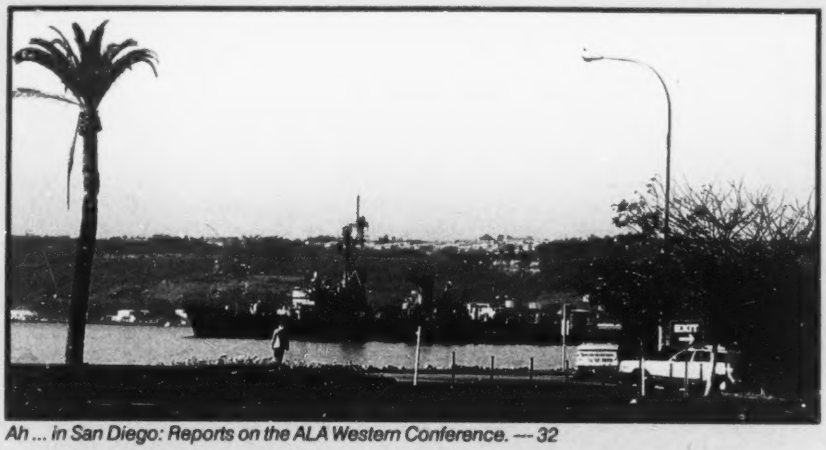

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system of the month

Anchoring the NAVRESSO Image

Until recently, many customers didn't know what was happening in Navy exchanges. Not anymore. Navy Resale's communications group is now letting everyone know about the exchanges and finding out a lot about the customers, too.

NAVRESSO's Communications Division is a multifaceted department that wears a lot of hats.

Besides doing media relations and producing promotional videos, the division also conducts market research through special customer focus groups and panels and coordinates the agency's direct mail program.

Eileen Siegel, deputy commander of the division, told MILITARY MARKET during an interview last month that original planning of these activities is done in-house. However, outside agencies often complete the finished product.

"We [in CD] are basically a pool of professionals and specialists in areas of marketing," said Siegel, who is a civilian. "The actual hands-on portion of the work is contracted-out to other professional services or companies."

Contracted-out activities include video and packaging design, market research, advertising, sales promotion and direct mail.

The Communications Division is made up of four specialized groups:

☐ Market research, private label promotion and research, and sales promotion activities are the realm of the Marketing group.

☐ The Sales Management/Audio Video group produces videos for in-store commercials (which the communications people call "infomercials"), employee training and in-house news programs.

☐ The Public Affairs branch handles internal and external publications and coordinates media and government relations and publicity.

☐ The Customer Relations/Consumer Awareness branch is responsible for providing product and service information to stores and customers.

While duties vary, all parts of the division work together to promote the image of NAVRESSO, gathering information to help NAVRESSO know more about its customer base, increase sales and gain a competitive edge in the marketplace.

Attitude surveys conducted in the early 80's revealed that customers were often in the dark about a lot of things which were happening in Navy exchanges. Some shoppers (mostly retirees) were even unaware that they had exchange privileges.

Other customers didn't know about upcoming exchange sales or that Navy exchanges have such amenities as florists, optical departments and watch repair services.

By Gregory Wright, Associate Editor

SALES RESULTS OF THE NAVRESSO FLYER EVENTS

Mailings cause hikes in spending and number of items purchased.
NAVRESSO expects "positive reaction to continue as mailing list grows."

SIGHT & SOUND
SALE
$999

	Persons Receiving Flyer		Persons Not Receiving Flyers	
Event	**Average Dollars Spent**	**Average Items Purchased**	**Average Dollars Spent**	**Average Items Purchased**
Mother's Day	$35	4.5	$23	3.4
Sight and Sound	$57	3.7	$31	3.6
Father's Day	$35	3.8	$23	3.2
Back-to-School	$37	4.5	$21	3.3

NOTE: BASED ON 400 EXIT INTERVIEWS CONDUCTED DURING 1987 AT EACH OF THESE LOCATIONS: NS SAN DIEGO, NS NORFOLK, NAS JACKSONVILLE, NMC BETHESDA AND NSB BANGOR.
SOURCE: INFORMATION FOR ALL CHARTS BASED ON INFORMATION PROVIDED BY NAVRESSO.

"Customers were indeed unaware of the sales events unless they visited the store," said Siegel.

"Some customers felt that — by the time they got to the store — they [the store] were out of the sales event merchandise, and therefore they were at a disadvantage."

Keeping a Direct Mail Program Direct

The Marketing Group launched the direct mail program in 1986 to tell these customers about the sales and thus to increase Navy exchange sales.

Under the direct mail program, authorized customers ask to be placed on a mailing list by responding to an invitation which was mailed to them. They can also sign up at a local exchange.

The program is only for exchange merchandise.

By law, commissaries are forbidden to advertise. However, NAVRESSO officials hope for some spin-off in commissary traffic from the exchange mailings.

NAVRESSO got its original mailing list from the Defense Manpower Data Center, which provided the Navy with a list of the names and addresses of 5.3 million military active duty, retiree and reserve sponsors eligible to be on the direct mail list. *[See table on page 41.]*

Since February 1987, NAVRESSO has used and revised that original list, mailing almost 4 million national circulars and promotional materials to customers. Field support offices have also begun using the list for regional mailings.

Although the DMDC list of names and addresses was free for the asking, compiling it to meet NAVRESSO standards has been no easy task. The Communications Division has used a contractor to houseclean the listing and verify that all respondents are authorized shoppers.

"It isn't so much obtaining the mailing list and sending the mailing to people and then [doing] the market research," said Siegel. "One of the more important things is to keep it alive and in A-1 shape."

To keep the file in top condition, NAVRESSO contracted with Creative Technical Services of Farmingdale, N.Y., to housekeep the list and keep it accurate.

The initial cost of setting up the mailing list was $1.2 million. This included developing signup cards, in-store promotional posters and leaflets, plus the cost of postage and the cleansing of return mail.

Siegel said the work is still going on.

"We're still doing a computer run [on the list]," Siegel said. "We would say it isn't 100 percent clean — it has a 10 to 20 percent erase on active duty."

NAVRESSO's Eileen Siegel. "We are basically a pool of professionals and specialists in areas of marketing."

In part, this is because active duty personnel are so transient; they're not always at home with a post office box. The training schools also must be segmented out.

Besides cleaning the mailing list, CD's Marketing Group has also narrowed its scope — invitations to get on the mailing list have been offered only to sponsors of military families who live within a 50-mile radius of a ConUS exchange instead of to all eligible customers worldwide. Zip codes are used to segment the list.

system of the month

Research Says: Advance Info = Increased Sales

So far, the response has made the extra effort worthwhile. Of 1.8 million potential customers who were asked if they wanted to be on a Preferred Customer Mailing List, almost 19 percent responded — about 400,000. This is an unusually high return rate. Most direct mail invitations return only three percent to four percent, Siegel said.

Officials in the Marketing Group predict that the number of people on the mailing list could eventually exceed 900,000. And the market areas of eligible customers could be expanded to 100 miles instead of the current 50.

Has the direct mail program had any effect on shopper habits?

Market research at five Navy exchanges indicates that people who receive advance information about special exchange sales are more likely not only to make purchases, but to spend more money when they do. *[See table on page 39.]*

Officials said direct mail gives Navy exchange customers more time to decide and plan for their purchase of more expensive items.

Being on the mailing list also means that customers can receive special coupons entitling them to additional savings, special giveaways and "mystery merchandise specials."

Focus Groups Report "Both Good, Bad"

Focus groups and consumer panels do more than give customers an opportunity to heap complaints and praise on Navy exchanges. They also give the Communications Division a ready pool of information and an accurate, up-to-the-minute gauge of customer reactions.

"One of the things we found over the years is our customers at the exchange and commissary are very happy to take part in research and tell us what they think of the stores," Jerry Armer, one of CD's two market research specialists, told MILITARY MARKET. Survey respondents report "Both the good, the bad, and what they like and don't like about the programs. They are very helpful."

CD also conducts in-store interviews of exchange shoppers. However, officials say focus groups are better than personal interviews because:

☐ The combined effort of the group produces a wider range of information, insights and ideas;

☐ The comments of one person often triggers responses from others;

☐ Response is more spontaneous, less conventional, and more accurate;

☐ One interviewer, though more highly-paid, interviews more than one person simultaneously;

☐ Focus meetings can be videotaped or tape-recorded and rechecked for greater accuracy.

During a focus group session, a small gathering of exchange or commissary customers is asked questions about new programs, product lines or private label items, such as Harbor View and Kids Ahoy, NAVRESSO's upcoming line of children's clothing. The groups average 13 members.

Customers are recruited for focus groups by interviewers at the exchanges and commissaries taking part in the program. Participants are given $25 cash incentives or $25 gift certificates for their services, but they aren't told about the award until the meetings are over.

Participants aren't told in advance about the reward, because "when they know what's at the end of the rainbow, they'll be there even if they have nothing to say," said Armer. "We want to qualify them and bring them in as unbiased as possible."

Focus group meetings take place both during the day and in the evening, depending on the demographics of the group recruited. The hardest to recruit are young enlisteds, who sometimes say they will come but can't show up because of their schedules. Anticipating no-shows, focus group coordinators often oversubscribe meetings.

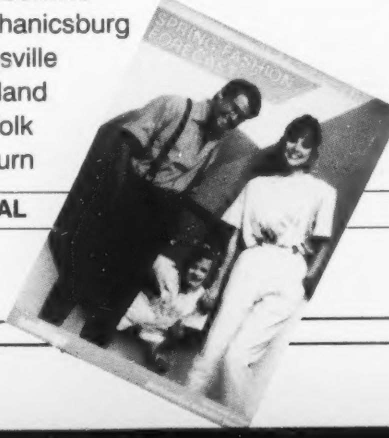
Once interviewers gather the information, the data is broken down by rank or dependent status. According to Armer, other "demographic slices" can be done, depend-

TOP TEN STATES
Represented in Mailing List
(% of Total)

California	25.5
Virginia	11.4
Florida	10.7
Washington	5.9
Maryland	5.3
New York	4.0
New Jersey	3.7
Pennsylvania	3.6
Texas	3.6
Hawaii	3.5
TOTAL	**77.2**

PERCENT OF MAILING LIST
For Each FSO

San Diego	15.2
Jacksonville	11.6
Mechanicsburg	10.6
Davisville	9.8
Oakland	6.3
Norfolk	5.8
Auburn	5.4
TOTAL	**64.7**



TOTAL POTENTIAL CUSTOMER BASE

By Branch of Service and Status of Military Sponsor

(Total number is 5,310,290.)

	ARMY	NAVY	AIR FORCE	MARINE	OTHER
Active Duty	750,583	582,117	632,448	195,678	
Retirees	525,532	388,115	540,611	86,278	
Active Reserves	309,477	142,507	78,023	41,489	557,384
Retired Reserves	335,653	54,308	77,446	12,641	
TOTAL	**1,921,245**	**1,167,047**	**1,328,528**	**336,086**	**557,384**

ing on the type of study being done or the focus group's makeup.

"I think a lot depends on the area that we're looking at," Armer said. "It depends on the focus group, and it depends on the subject."

Consumer Panels Reveal Long-Term Details

Unlike focus groups, which are generally one-shot events, panel surveys are conducted over one- to three-year periods. The Communications Division plans to use information gathered from consumer panels to gauge changes in customer attitudes over time.

"Basically, a panel is a way of getting information over a period of time on a set group of individuals," said Market Research Specialist Linda Dunlea. "We're looking to this for a long-term project to enable us, as we test their marketing strategy, to evaluate the effectiveness of them."

Because military servicemembers and their family members move so often, panels are also good indicators of how attitudes can change when respondents live on different bases.

Navy panel surveys were tested at the NB Charleston, S.C., and NAS Moffett Field, Calif., early last year. Because the surveys cover such a lengthy period, the Communications Division wanted to know if customers would accept them before it launched a full-blown program.

"We tested [panel surveys] to see if our people can be recruited as easily as the regular consumer, and if they would stay with it," said Armer. "The test was very positive."

Panels can be conducted in various ways. In some, interviewers call back the participants on a periodic basis and ask them questions about programs or products. In other panels, participants fill out detailed diaries that record what kinds of items they buy.

Dunlea said NAVRESSO's panel groups will be conducted differently than conventional civilian ones and will contain questions on exchanges, commissaries, Navy lodges and liquor stores as well as product purchase.

"We're looking at a very detailed attitude and usage type study whereby we try to find a blanket, in-depth questionnaire asking everything we can possibly get to find out about them."

This "in-depth questionnaire" will contain topics, such as buying habits, attitudes toward stores, comparisons with competitors and shopping convenience.

Once the panel program is underway, the Communications Division hopes to recruit about 10,000 participants from its direct mailing list of about 400,000 names. MM

Videos: A Quick Sell

A family, exhausted and irritable from a long day on the road, tries to check in at a Navy lodge registration desk.

"I'm sorry, but we don't have any record of your reservation," says an obviously impatient desk clerk. "You'll just have to go someplace else. There are other motels around here."

A wild look of desperation and anger appears on the father's face. "What kind of a place is this?" he seethes. "I made reservations last month!"

CD is now using videos to help NAVRESSO employees handle situations like this. Videos act as educational media, offering solutions to common causes of customer complaints.

In "Navy Lodge Guest Relations," an 11-minute customer service video, registration clerks are encouraged to be courteous to customers.

Videos offer a quick way to train new employees. Most exchanges have video cassette recorders on the salesfloor or in the main business office.

"We find people that have the ability to spend five minutes relaxing watching a monitor absorbing information that is creatively as well as verbally significant to them, will pay more attention to what is presented to them, as well as find it more meaningful than to read the information," Eileen Siegel told MILITARY MARKET.

Videos are used for more than training. Promotional "infomericals" spotlighting private labels like Harbor View cookware and fashions are played on exchange sales floors.

A Navy Resale System "Overview," which runs about 10 minutes, is shown to future vendors or suppliers who don't know how NAVRESSO functions. Siegel said the video saves her time when she has to make business presentations.

"I personally found that, when I was going out into the market to various professional companies, it took me close to an hour and a half to explain what the Navy Resale System is," she said.

Some NAVRESSO videos are written and filmed in-house by audio/visual specialists Michael Folso and Raymond Vargas. However, depending on program and format, videos can also be contracted out to outside professional firms.

Military Market index

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		NOVEMBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$149,558	$155,944	-4.10	$1,765,621	$1,715,079	2.95
	OVERSEAS	29,647	31,605	-6.20	375,078	333,359	12.51
AIR FORCE	TOTAL	**180,687**	**187,550**	**-3.66**	**2,142,182**	**2,048,439**	**4.58**
	CONUS	108,990	112,000	-2.69	1,238,265	1,208,095	2.50
	OVERSEAS	40,635	38,000	6.93	440,790	394,790	11.65
ARMY	TOTAL	**149,625**	**150,000**	**-0.25**	**1,679,055**	**1,602,885**	**4.75**
	CONUS	62,632	61,203	2.33	691,678	662,954	4.33
	OVERSEAS	6,767	6,792	-0.37	77,171	74,475	3.62
NAVY	TOTAL	**69,399**	**67,995**	**2.06**	**760,850**	**736,429**	**3.32**
	CONUS	12,485	13,485	-7.42	147,770	151,959	-2.76
	OVERSEAS	275	254	8.27	3,105	2,874	8.04
MARINE CORPS	TOTAL	**12,761**	**13,739**	**-7.12**	**151,876**	**154,833**	**-1.91**
	CONUS	250	242	3.31	2,753	2,821	-2.41
	OVERSEAS	331	314	5.41	3,352	3,218	4.16
COAST GUARD	TOTAL	**581**	**556**	**4.50**	**6,105**	**6,041**	**1.06**
	CONUS	$333,915	$342,874	-2.61	$3,846,087	$3,740,908	2.81
ALL	OVERSEAS	$77,655	$76,965	0.90	$899,496	$808,716	11.23
COMMISSARIES	TOTAL	**$411,570**	**$419,839**	**-1.97**	**4,745,583**	**$4,549,624**	**4.31**
GROCERY STORES	*U.S.*[1]	*$23.763*	*$23.539*	*0.95*	*$262.352*	*$254.693*	*3.01*

EXCHANGES

		NOVEMBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$295,080	$274,895	7.34	$2,887,937	$2,661,700	8.50
	OVERSEAS	230,208	193,891	18.73	2,188,831	1,875,445	16.71
AAFES	TOTAL	**525,287**	**468,786**	**12.05**	**5,076,768**	**4,537,146**	**11.89**
	CONUS[2]	110,561	100,654	9.84	1,046,861	973,042	7.59
	OVERSEAS[2]	44,842	41,655	7.65	449,959	426,151	5.59
NAVY	TOTAL[2]	**155,403**	**142,309**	**9.20**	**1,496,820**	**1,399,193**	**6.98**
	CONUS	32,266	31,449	2.60	323,915	311,739	3.91
	OVERSEAS	5,424	4,723	14.84	55,683	53,406	4.26
MARINE CORPS	TOTAL	**37,690**	**36,172**	**4.20**	**379,598**	**365,146**	**3.96**
	CONUS[3]	7,266	7,414	-2.00	73,426	74,924	-2.00
	OVERSEAS[3]	541	552	-1.99	5,469	5,579	-1.97
COAST GUARD	TOTAL[3]	**7,807**	**7,966**	**-2.00**	**78,895**	**80,503**	**-2.00**
	CONUS[4]	1,829	1,757	4.10	14,815	13,978	5.99
	OVERSEAS[4]	2,974	2,918	1.92	24,648	33,125	-25.59
MAIL ORDER	TOTAL[4]	**4,803**	**4,675**	**2.74**	**38,462**	**47,103**	**-18.34**
	CONUS	$447,002	$416,169	7.41	$4,346,954	$4,035,383	7.72
	OVERSEAS	$283,989	$243,739	16.51	$2,724,590	$2,393,706	13.82
ALL EXCHANGES	TOTAL	**$730,991**	**$659,908**	**10.77**	**$7,071,544**	**$6,429,089**	**9.99**
DEPARTMENT STORES	*U.S.*[1]	*$14.016*	*$13.249*	*5.79*	*$118.168*	*$111.626*	*5.86*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

4/13/88 C8910-1 A

Update — Mil Rep Directory

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY
APRIL 1988 $4.00

8th ANNUAL MILITARY BROKER REPORT

RESALE SAVVY

The Women Brokers

In Top Management

As Owners

MMMD20814 1288 3 04 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814

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COVER DESIGN BY PAUL JORDAN; COVER PHOTO BY KATE PATTERSON

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serving the military
resale system

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This is a list of 671 suppliers who did $1 million or more worth of business with the Army and Air Force Exchange Service during fiscal 1987. Companies are listed in order of their total dollar volume with AAFES headquarters; they do not include pay-

AAFE$

1	PHILIP MORRIS	$39,388,551
2	EASTMAN KODAK	37,299,054
3	MANSFIELD OIL	33,031,460
4	U.S. OIL	30,148,601
5	GASCO GASOLINE	25,049,842
6	PROCTER & GAMBLE	23,885,249
7	R.J. REYNOLDS TOBACCO	22,289,574
8	APPLE COMPUTER	22,116,828
9	CONOCO	21,936,513
10	BEVERAGES FOODS & SVC	21,050,839
11	WEA	20,323,963
12	LEVI STRAUSS	20,194,921
13	REVLON	20,152,652
14	RCA NEW PRODUCTS DIVISION	19,881,594
15	DISTRON DIST CTR	19,380,395
16	FRITO-LAY	19,201,276
17	COCA-COLA EXPORT	18,518,281
18	AMERICAN GREETINGS	18,123,886
19	ANHEUSER-BUSCH	17,004,368
20	PANASONIC WEST	15,530,115
21	ANNEDEEN/REEBOK	15,466,872
22	GENERAL ELECTRIC SUPPLY	15,262,319
23	MATTEL TOYS	14,086,186
24	SPRINGS IND.	13,647,873
25	M & M MARS	13,617,077
26	COMMODORE BUSINESS MACHINES	13,609,739
27	CBS RECORDS	13,576,610
28	TEXACO	13,411,363
29	KANGAROOS U.S.A	13,011,864
30	RADIO SHACK	12,620,664
31	BLACK AND DECKER	12,403,255
32	REINTRAUB BROS	12,046,940
33	HALLMARK CARDS	12,030,502
34	GILLETTE	11,750,907
35	POLAROID	11,542,113
36	ARTEX MANUFACTURING	11,518,954
37	GOODYEAR	11,434,265
38	JESCO	11,425,496
39	JOHNSON & JOHNSON	11,354,563
40	TESORO REF. & MARKETING	11,331,750
41	COASTAL STATES MARKETING	10,866,491
42	JOCKEY	10,856,348
43	LiZ CLAIBORNE	10,563,952
44	KRAFT	10,541,212
45	CHEVRON	10,476,922
46	BROWN & WILLIAMSON	10,370,584
47	BELCHER OIL	10,060,590
48	ALOHA PETROLEUM	9,769,871
49	MONARCH CROWN	9,596,998
50	NIKE	9,539,188
51	NABISCO BRANDS	9,472,553
52	ROBERT TABAKOW	9,425,940
53	MCA RECORDS	9,419,534
54	ACME BOOT	9,076,716
55	3M	9,003,561
56	METALLGESELLSCHAFT	8,810,720
57	HERSHEY	8,746,587
58	BRIGADE BRANDS	8,719,264
59	BOSE	8,697,354
60	FISHER-PRICE	8,638,458
61	ZENITH	8,602,116
62	KENWOOD	8,534,755
63	CANNON MILLS	8,530,777
64	ELIZABETH ARDEN	8,295,042
65	ORIGINAL DESIGNS	8,191,460
66	BALFOOR	8,139,021
67	CHAMPION PRODUCTS	8,050,322
68	HANES HOSIERY	8,005,378
69	SHARP	7,924,911
70	KIMBERLY-CLARK	7,915,507
71	EVEREADY	7,913,601
72	PAN AMERICAN DIAMOND	7,776,861
73	PIONEER	7,772,772
74	MTD PRODUCTS	7,546,080
75	MANHATTAN STORE	7,504,691
76	MAX FACTOR	7,490,975
77	CORNING GLASS WORKS	7,489,697
78	SOFTKAT	7,461,732
79	BASF	7,451,153
80	CAPITOL RECORDS	7,431,045
81	FISHER	7,365,843
82	WOLVERINE WORLD WIDE	7,302,866
83	MICHELIN	7,233,366
84	SYSCO FOOD SYSTEMS	7,183,562
85	SONY	6,957,772
86	AETNA	6,957,226
87	HUFFY	6,762,002
88	ACTION INDUSTRIES	6,655,263
89	LORILLARD	6,620,537
90	CASIO	6,599,160
91	SYSCO FOOD SERVICES	6,523,483
92	TESORO-ALASKA	6,472,551
93	OROAMERICA	6,472,370
94	RUBBERMAID	6,413,741
95	UNION BAY	6,238,480
96	IRA GREEN	6,216,345
97	JOHN K. KEALY	6,212,672
98	BASKIN ROBBINS	6,156,702
99	U.S. TOBACCO	6,125,536
100	STUART HALL	6,077,459
101	THE COMPANY WEST	6,040,134
102	BERKLINE	6,022,650
103	ESTEE LAUDER	6,020,510
104	WORLDS OF WONDER	5,900,582
105	EXXON	5,854,581
106	STRUCTURAL ASSOCIATION	5,814,820
107	INGRAM SOFTWARE	5,795,264
108	HOOVER	5,773,140
109	M. FABRIKANT AND SON	5,662,385
110	ARA SERVICES	5,617,383
111	SANDBERG & SIKORSKI	5,608,155
112	SANYO	5,589,112
113	INTERLAKE COMPANIES	5,538,958
114	POLYGRAM	5,488,434
115	FIELDCREST HILLS	5,481,472
116	SAMSONITE FURNITURE	5,458,096
117	NABISCO BRANDS	5,338,170
118	E.J. BRACH	5,188 420
119	MAGNOVOX-NAPCEC	5,187,009
120	FREEMAN SHOES	5,179,446
121	INTERNATIONAL PLAYTEX	5,073,349
122	IBM	5,053,275
123	BROWN SHOES	4,994,540
124	SMITH-CORONA	4,986,108
125	AMERADA HESS	4,979,446
126	CANON	4,947,425
127	MILITARY & SPECIAL MARKETS	4,854,876
128	N.S. MEYER	4,788,270
129	CHEVRON CHEMICAL	4,786,956
130	MAIDENFORM	4,690,374
131	CAPITAL MERCURY SHIRT	4,662,081
132	SHELL OIL	4,614,608
133	AMERICAN TOBACCO	4,603,021
134	HAGGAR	4,573,572
135	KRAFT	4,533,965
136	VANITY FAIR MILLS	4,526,155
137	COLGATE PALMOLIVE	4,486,950
138	CALVIN KLEIN	4,459,158
139	GENERRA	4,457,030
140	OSTER	4,424,822
141	QUAKER STATE OIL	4,380,942
142	VANGUARD MIL. EQUIP	4,356,157
143	RICHARDSON-VICKS	4,328,872
144	C. LLOYD JOHNSON	4,304,543
145	PLAYSKOOL	4,245,007
146	FIRST BRANDS	4,242,637
147	TOSHIBA AMERICA	4,233,688
148	S.C. JOHNSON & SON	4,224,259
149	MILLER BREWING	4,198,146
150	LIGHTHOUSE INDUSTRIES FOR THE BLIND	4,184,593
151	ARROW	4,184,506
152	GENERAL MOTORS	4,159,029
153	HERTNER DIVISION	4,155,578
154	SINGER	4,140,836

ments made by AAFES-Europe or AAFES-Pacific. Figures — which reflect each company's total worldwide net payment amount — are rounded to the nearest dollar. The source of this information is official AAFES records.

155	LEE	4,135,964
156	SEVEN-UP ENTERPRISES	4,096,404
157	PENDLETON WOOLEN MILLS	4,088,589
158	DR. PEPPER	4,086,526
159	OSCAR MAYER	4,044,995
160	BURLINGTON INDUSTRIES	3,993,157
161	LIGGETT & MEYERS	3,983,508
162	AIRWAY INDUSTRIES	3,961,417
163	STEDMAN	3,958,052
164	POULON/WEED EATER	3,947,678
165	ALLIED-SYSCO FOOD	3,927,163
166	QUAKER OATS	3,917,866
167	RUSSELL	3,898,965
168	GENERAL FOODS	3,879,727
169	NOBEL/SYSCO FOOD	3,867,874
170	NABISCO BRANDS	3,857,828
171	CARNATION	3,857,423
172	SONOCO PRODUCTS	3,840,024
173	GENERAL SERVICES ADMINISTRATION	3,836,755
174	TYSONS FOODS	3,821,785
175	TIMEX	3,812,485
176	M.J. SOFFE	3,739,354
177	RETAIL FRAGRANCE	3,709,757
178	DAVIS CLOTHING	3,694,256
179	LEVER BROS.	3,639,372
180	FARAH MANUFACTURING	3,599,309
181	INTERCRAFT INDUSTRIES	3,583,574
182	MARTIN MANUFACTURING	3,579,028
183	HEALTH-TEX	3,571,023
184	AUDIOVOX	3,558,668
185	HANES KNITWEAR	3,538,856
186	EKCO HOUSEWARES	3,501,438
187	ATLAS CHAIN	3,484,550
188	BRIGADE QUARTERMASTERS	3,473,388
189	CAMPBELL SOUP	3,472,098
190	PARAMOUNT HOME VIDEO	3,467,853
191	ARMOUR	3,461,592
192	HARRY SUGERMAN	3,447,191
193	KIWI POLISH U.S.A.	3,403,090
194	W. COTLER	3,398,080
195	MURRAY OHIO MANUFACTURING	3,367,782
196	LENOX	3,353,440
197	MONET JEWELERS	3,345,519
198	KELLOGG SALES	3,334,891
199	NESTLE FOODS	3,279,662
200	GITANO	3,253,466
201	NCR	3,241,029
202	CONTINENTAL BAKING	3,240,215
203	L'OREAL	3,182,566
204	PENNZOIL	3,179,303
205	BEATRICE REFRIGERATED	3,157,557
206	SUNBEAM APPLIANCE	3,139,369
207	MENNEN	3,132,412
208	HASBRO BRADLEY	3,128,444
209	ADIDAS	3,121,957
210	CHAUS	3,070,828
211	PENTAX	3,061,418
212	SHEA CONSTRUCTION	3,059,295
213	LITTLE TIKES	3,046,613
214	MINOLTA	3,046,450
215	U.S. ARMY FINANCE & ACCOUNTING	3,046,199
216	VERDI INTERNATIONAL	3,044,520
217	NIKON	3,038,049
218	FIN & ACT OFFICER	3,026,111
219	AT&T CONSUMER PRODUCTS	3,021,080
220	WHIRLPOOL	2,992,606
221	MAGICOLOR PAINT	2,982,168
222	PENNEX PRODUCTS	2,963,102
223	ONEIDA	2,947,094
224	ALMET/LAWNLITE	2,944,354
225	CONSUMER PRODUCTS DIVISION	2,941,982
226	SKIL	2,919,660
227	R.R. DONNELLEY & SONS	2,917,221
228	EUREKA	2,914,727
229	UNION UNDERWEAR	2,914,301
230	WILLIAM CARTER	2,898,089
231	W.C. BRADLEY ENTERPRISES	2,896,815
232	REMINGTON PRODUCTS	2,896,631
233	RUSS TOGS	2,886,546
234	TOTAL PETROLEUM	2,881,813
235	NATION PIZZA PRODUCTS	2,848,681
236	CARTER-WALLACE	2,828,079
237	MOBIL OIL CREDIT	2,807,510
238	CHEESEBROUGH-PONDS	2,806,871
239	TEXAS INSTRUMENTS	2,795,232
240	S.W.S. GARMENT	2,789,689
241	SMERLING ENTERPRISES	2,789,656
242	MILTON BRADLEY	2,789,435
243	CARVER	2,788,619
244	BULOVA	2,770,120
245	KEEBLER	2,734,942
246	LONDON STAR LIMITED	2,762,579
247	WILSON FOODS	2,758,412
248	DANAL/ACCESS ASSOCIATION	2,744,999
249	ROCKPORT	2,744,154
250	RUSS BERRIE & CO.	2,741,886
251	DEXTER	2,728,210
252	TAPE SPECIALTY	2,709,500
253	KEMFAST TEXTILES	2,705,965
254	MAXELL	2,702,643
255	GOODY PRODUCTS	2,699,977
256	HORMEL	2,635,166
257	KENNER	2,620,093
258	ARIS ISOTONER	2,610,702
259	NCR	2,585,877
260	MASTER LOCK	2,583,995
261	IZOD/LACOSTE MENSWEAR	2,568,916
262	CHEMEXEC RELOCATION SYSTEMS	2,554,746
263	NEW BALANCE	2,529,922
264	COSCO	2,524,009
265	GALE BARSTON	2,513,726
266	SWATCH	2,509,311
267	SEALY MATTRESS	2,494,126
268	PARKER PEN	2,487,919
269	AIRCAP INDUSTRIES	2,475,501
270	GOEBEL UNITED STATES	2,449,623
271	MOHAWK MARKETING	2,447,696
272	A & M RECORDS	2,444,904
273	COLEMAN	2,440,147
274	TOASTMASTER	2,431,178
275	STROH'S	2,425,146
276	AMDAHL	2,417,810
277	SEIKO	2,413,277
278	NINTENDO	2,410,380
279	GOLD STAR	2,406,005
280	COVE SHOES	2,395,213
281	L'EGGS	2,393,111
282	SEARS WORLD TRADE	2,377,181
283	INFINITY SYSTEM	2,371,741
284	MID-CENTRAL/SYSCO FOOD	2,361,529
285	STEP & STRIDE	2,358,373
286	KIRSCH	2,336,606
287	GOODMARK FOODS	2,328,821
288	ANCHOR HOCKING	2,328,136
289	FASHION FAIR COSMETICS	2,321,124
290	ROLFS	2,319,330
291	GROW GROUP	2,317,349
292	GARAN	2,315,039
293	SCHILLER & ASMUS	2,310,478
294	DEPARTMENT OF THE TREASURY	2,295,870
295	GENERAL MILLS	2,272,402
296	WHITE STAG MANUFACTURING	2,264,989
297	SMOKE CRAFT	2,264,209
298	MAG INSTRUMENT	2,262,777
299	TONKA	2,261,884
300	ELKAY INDUSTRIES	2,256,750
301	WILLIAM WRIGLEY JR.	2,253,005
302	FRANKLIN CHAIRS	2,251,863
303	J.L. PRESCOTT	2,248,687
304	PROMANA	2,247,325
305	CHIC HOSIERY	2,238,819
306	A.B. HIRSCHFELD PRESS	2,237,288
307	DIGITAL EQUIPMENT	2,217,364
308	ADMIRAL	2,209,567
309	RIVERSIDE FURNITURE	2,196,775
310	WHITEHALL LABORATORIES	2,193,879
311	MAGIC CHEF	2,187,508
312	BORDEN	2,182,275
313	STANDARD COLORPRINT	2,180,270
314	REGAL APPLIANCE	2,172,339
315	LONDON FOG	2,166,258
316	SHULTON	2,164,793
317	BULLFROG KNITS	2,155,777
318	OCEAN PACIFIC LONGRIDER	2,150,088
319	CHAMPION LAB	2,138,450
320	FIRESTONE TIRE & RUBBER	2,113,152
321	ESPRIT DE CORP	2,105,780
322	BEECHAM PRODUCTS	2,102,110
323	SOUNDESIGN	2,099,112
324	PARKER BROTHERS	2,098,891
325	MEMCO	2,089,989
326	IMPERIAL WORLD	2,089,862
327	ARMOUR DAIRY/FD OILS	2,082,497
328	BANQUET FOODS	2,078,494
329	SWEDA	2,071,499
330	BALI	2,070,903
331	BICYCLE CORPORATION OF AMERICA	2,069,495
332	NAP	2,049,310
333	BLACK HILLS JEWELRY	2,041,721
334	PILLOWTEX	2,032,084
335	PULSAR	2,029,884
336	JENKINS & BOLER	2,029,574
337	ANCHOR SWAN	2,029,189
338	TOWN & COUNTRY	2,028,003
339	BUSTER BROWN APPAREL	2,027,925
340	CORE-MARK DISTRIBUTORS	2,023,060
341	HITACHI	2,020,189
342	POLO FASHIONS	2,016,353
343	HAMILTON BEACH	2,010,483
344	MAYBELLINE	2,007,545
345	WINDMERE	1,998,631
346	IMPACT FURNITURE	1,998,209
347	OSHKOSH B'GOSH	1,989,602
348	FABIL MANUFACTURING	1,985,569
349	LASKO METAL PRODUCTS	1,980,841
350	AMERICAN HOME FOODS	1,977,401
351	ROSE & SONS	1,974,870
352	NORTHERN ELECTRIC	1,961,576
353	ROYAL COPIERS	1,957,501
354	THERMOS DIVISION	1,946,245
355	TILLEY CONS/ENG	1,945,658
356	FISHER NUT	1,937,808
357	BERG PRODUCTS DESIGN	1,934,116
358	BEST FOODS	1,922,470
359	CAMPUS SPORTSWEAR	1,920,349
360	BARCO	1,910,128
361	JORDACHE ENTERPRISES	1,907,793
362	ASHLAND PETROLEUM	1,904,249
363	A.T. CROSS	1,885,401
364	CREIGHTON SHIRT	1,876,631
365	PLOUGH	1,874,237
366	MIKASA	1,873,478
367	KEYSTONE CAMERA	1,870,780
368	BIRCHWOOD	1,869,582
369	ORE-IDA FOODS	1,866,675
370	VIDA SHOES	1,863,717
371	MEMBERS ONLY	1,862,877
372	HAZEL	1,836,574
373	ARMSTONG WORLD INDUSTRIES	1,829,455
374	A.W. MENDENHALL	1,829,437
375	MURJANI	1,827,810
376	WILTON	1,827,313
377	WESTERN PUBLISHING	1,824,669
378	SAMSUNG	1,816,985
379	WATERFORD CRYSTAL	1,815,151
380	VIE DE FRANCE	1,813,478
381	DEPENDABLE RUG MILLS	1,811,513
382	SUNKIST SOFT DRINKS	1,804,835
383	R.T. FRENCH	1,796,915
384	FORSTMANN & COMPANY	1,785,880
385	HAWAII TOBACCO	1,767,191

$ AAFES MILLION DOLLAR VENDORS $

386	INTERNATIONAL SEAWAY TRADING	1,759,311
387	ABSHER CONSTRUCTION	1,756,261
388	PRINCE MATCHABELLI	1,755,177
389	SCHNADIG	1,754,021
390	EAGLE DISTRIBUTORS	1,753,735
391	JOSEPH HERMAN SHOES	1,748,112
392	HYPONEX	1,744,314
393	SOFT CARE APPAREL	1,743,318
394	MILLER CASCADE	1,742,270
395	O.M. SCOTT & SONS	1,738,842
396	RIVAL MANUFACTURING	1,735,866
397	HOLSON	1,730,829
398	CENTURY PRODUCTS	1,727,158
399	CHILD CRAFT	1,722,217
400	CIT CONSTRUCTION OF TEXAS	1,713,546
401	CHARLOTTE CHARLES	1,692,265
402	MOBIL CHEMICAL	1,690,049
403	YVES SAINT LAURENT	1,688,819
404	YORDI CONSTRUCTION	1,687,253
405	SARANAC GLOVE	1,684,268
406	FOREMOST DAIRIES	1,681,403
407	CREST CRAFT	1,676,331
408	JBL PROFESSIONAL	1,676,051
409	TDK	1,675,387
410	ARROW	1,674,362
411	RANDOLPH ENGINEERING	1,672,801
412	WEBER-STEPHEN	1,667,937
413	GRACO	1,666,332
414	COLECO	1,658,068
415	KORET OF CALIFORNIA	1,638,069
416	JAMES RIVER	1,630,523
417	ATLAS DISTRIBUTORS	1,628,031
418	WEAREVER-PROCTOR SILEX	1,624,215
419	FORT STEUBEN PRODUCTS	1,620,846
420	H.K. SCHAEFFER & CO.	1,618,878
421	BAUSCH & LOMB	1,616,085
422	BIC PEN	1,611,936
423	SHAVER CONSTRUCTION	1,601,785
424	HILEX POLY	1,601,367
425	WHITMANS CHOCOLATE	1,595,087
426	I-SKI SKIGLASSES	1,581,923
427	SUN LITHO	1,579,155
428	MARX & NEWMAN	1,578,579
429	ARMY TIMES PUBLISHING	1,558,010
430	BASSETT-WALKER	1,556,066
431	FOSTER GRANT	1,552,298
432	TOLSON OIL	1,534,902
433	CITICORP DINERS CLUB	1,532,142
434	KLIPSCH	1,530,274
435	POLK AUDIO	1,521,989
436	REGINA	1,520,092
437	CHRISTIAN DIOR PERFUMES	1,512,355
438	NAPIER	1,507,853
439	CADBURY	1,503,508
440	GERBER PRODUCTS	1,498,053
441	PURITAN SPORTSWEAR	1,490,477
442	RUSSELL HOSIERY MILLS	1,485,326
443	1928 JEWELRY	1,483,528
444	STANLEY BLACKER	1,482,233
445	INTERSTATE BRANDS	1,471,572
446	CLEO WRAP	1,468,657
447	BEACON MANUFACTURING	1,467,352
448	ALLERGAM	1,465,225
449	DIAL	1,448,206
450	J.G. DURAND	1,443,489
451	RUBBERMAID	1,441,366
452	RAWLINGS SPORTING GOODS	1,438,790
453	RUSSELL STOVER CANDIES	1,437,093
454	CHASE CHEMICALS	1,431,580
455	S. LICTENBERG & COMPANY	1,431,024
456	JACK HILLIARD DISTRIBUTORS	1,424,991
457	HIS FOR HER SPORTSWEAR	1,415,314
458	THORSEN TOOLS	1,412,318
459	CHANEL	1,412,082
460	BERNARD CAP CO.	1,409,658
461	CITIZEN WATCH	1,407,874
462	JOVAN	1,399,657
463	ALBERTO-CULVER	1,398,665
464	B.F. GOODRICH	1,393,630
465	YORX	1,393,311
466	NABISCO	1,392,183
467	PRINCE GARDNER	1,387,855
468	IGLOO	1,380,027
469	CONAIR	1,373,007
470	NAVAJO REFINING	1,372,331
471	BAUSCH & LOMB	1,371,331
472	BISSELL	1,366,757
473	NEW ATTITUDE	1,362,700
474	MELNOR INDUSTRIES	1,361,580
475	BORDEN	1,359,112
476	CHAMPION	1,357,572
477	AMOCO	1,357,022
478	STEENBLIK CONSTRUCTION	1,355,981
479	ESTECH BRANDED FERTILIZER	1,353,675
480	FERRY MORSE SEED	1,347,944
481	VIVITAR	1,346,574
482	BURMA-BIBAS	1,344,827
483	R.P.M. FASHIONS	1,355,094
484	C'EST PETITE	1,327,682
485	PEPSI COLA	1,326,351
486	SEYMOUR	1,323,829
487	TELEDYNE WATER PIK	1,323,103
488	AUTOMATIC PRODUCT	1,317,998
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490	SCHERING	1,313,718
491	OLIN	1,312,349
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509	WILSON	1,268,150
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513	AMERICAN LOCK	1,259,560
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519	T-FAL	1,255,061
520	9-WEST	1,254,231
521	FACILITER CONSTRUCTION	1,250,796
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527	ECONOMICS LABORATORY	1,237,109
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529	NCR COMTEN	1,233,941
530	VAN CAMP SEAFOOD	1,232,828
531	B & B BEVERAGE	1,225,222
532	VENDO	1,223,476
533	J.F.C. INTERNATIONAL	1,222,864
534	J. PETROCELLI CONSTRUCTION	1,217,966
535	GOLD EAGLE PRODUCTS	1,209,035
536	HARPER LEATHER GOODS	1,207,381
537	CONVERSE	1,206,224
538	U.S. PLAYING CARD	1,202,421
539	T. SARDELLI & SONS	1,201,922
540	MERONA SPORT	1,201,455
541	BUSH INDUSTRIES	1,201,395
542	LANSING	1,197,432
543	SAUDER WOODWORKING	1,193,744
544	NORTH AMERICAN PHILIPS	1,193,445
545	FEDDERS	1,192,943
546	DIXIE FURNITURE	1,191,341
547	HER MAJESTY	1,190,424
548	TOTES	1,188,371
549	TAB ACCESSORIES	1,175,483
550	BROTHER	1,174,795
551	JAYMAR-RUBY	1,172,936
552	AMEXTRA	1,172,286
553	SWAROVSKI AMERICA	1,172,056
554	LIBBEY GLASS	1,169,413
555	PACIFIC TRAIL	1,168,688
556	M. GRUMBACHER	1,163,150
557	FARMERS UNION/LENEX	1,161,254
558	AMANA	1,161,146
559	CAL-STYLE FURNITURE	1,149,562
560	GLENBROOK LABS	1,148,643
561	INTERTRANS AIRFREIGHT	1,141,167
562	EVENFLO	1,139,833
563	DEL MONTE	1,137,184
564	WESTCLOX	1,129,476
565	FOLEY	1,127,091
566	HEAD PRODUCTS	1,124,019
567	CANNONDALE	1,121,167
568	FOSTER	1,120,166
569	SHIRE MAGNETICS	1,120,011
570	WAGNER	1,119,035
571	ANDERSON NEWS	1,118,322
572	ZIPPO MANUFACTURING	1,117,729
573	LIPTON	1,116,933
574	EX-CELL HOME FASHIONS	1,115,115
575	KEEPERS INDUSTRIES	1,114,460
576	PEPSI COLA BOTTLING	1,110,589
577	DANSKIN	1,108,528
578	CONTEMPORARY CONSTRUCTION	1,108,335
579	LEBARON MANUFACTURING	1,105,862
580	PENN ATHLETIC	1,105,197
581	ARGENTI	1,104,903
582	GERICO	1,098,278
583	YAMAHA	1,096,310
584	KENNEDY MILLS	1,093,889
585	STAR-KIST	1,089,962
586	JOHN THOMAS BATTS	1,088,521
587	FLAV-O-RICH	1,084,632
588	EVYAN EXPORTS	1,084,190
589	IMPACT MARKETING	1,081,854
590	NORDIC WARE	1,081,747
591	PARFUMS INTERNATIONAL	1,081,520
592	AMERICAN SAFETY RAZOR	1,079,687
593	PONY	1,076,596
594	BELL FUELS	1,067,788
595	MUSCOGEE NEWS	1,064,209
596	EPSON	1,063,634
597	BROWN-FORMAN	1,062,559
598	LEWIS BEAR	1,060,714
599	ASTORIA JEWELRY MANUFACTURING	1,059,920
600	SPEIDEL TEXTRON	1,059,387
601	CABLE ELECTRIC	1,058,779
602	NATIONAL DISTRIBUTING	1,056,934
603	VITA-FRESH VITAMINS	1,056,681
604	BUCK KNIVES	1,056,345
605	REMAC	1,054,988
606	WELCH FOODS	1,053,787
607	INNOVATIVE TIME	1,052,917
608	A & W BEVERAGES	1,052,894
609	DIXIE-RIVERSIDE	1,051,923
610	JENSEN SOUND LABS	1,051,499
611	EXCELL PRODUCTS	1,049,578
612	REVERE COPPER AND BRASS	1,049,546
613	ETONIC	1,046,316
614	GORHAM TEXTRON	1,042,860
615	ROBERT A. CLAIR	1,041,395
616	CANADA DRY BOTTLING	1,040,406
617	ROADMASTER	1,039,604
618	STYL-LAND	1,037,917
619	SHIP 'N SHORE	1,036,894
620	ALMOND JEWELERS	1,033,722
621	CHARLES OF THE RITZ	1,033,696
622	G & C ENTERPRISES	1,031,677
623	COATS & CLARKS SALES	1,031,330
624	MILES LABORATORIES	1,028,865
625	TROPICANA	1,028,300
626	BAHLSEN OF NORTH AMERICA	1,027,560
627	SOFT SHEEN	1,025,137
628	FAMILY GARD-BRK ELECTR	1,024,973
629	SOUTHERN MAURICE	1,024,024
630	HUSH PUPPIES BOYSWEAR	1,023,270
631	PHONE-MATE	1,021,950
632	RAMFJELD & COMPANY	1,020,940
633	CRADDOCK-TERRY SHOES	1,020,902
634	SPORT OBERMEYER	1,020,636
635	YOUNG BROTHERS	1,020,341
636	EVAN-PICONE LADIES' HOSIERY	1,020,218
637	PROFESSIONAL ASSOC SVC	1,019,350
638	EVENFLO PRODUCTS	1,015,689
639	FOLGERS COFFEE	1,014,984
640	A. EPSTEIN & SONS	1,013,560
641	BROWNING	1,012,989
642	VILLEROY & BOCH	1,012,167
643	ESSO	1,010,949
644	ANCHORAGE COLD STORAGE	1,010,947
645	HAMILTON WATCH	1,009,914
646	LANE LIMITED	1,004,466
647	TYSON METAL PRODUCTS	1,003,521
648	ETIENNE AIGNER	1,003,266
649	MIDWAY SALES	1,002,809
650	SHERWOOD	997,079
651	GIDDEN DISTRIBUTING	995,373
652	BURMAN-CASTROL	993,750
653	GREEN GIANT	993,389
654	DOSKOCIL SAUSAGE	993,017
655	WHITEHALL FASHIONS	990,897
656	ISLAND BEVERAGE	990,502
657	KOLCRAFT	986,728
658	LEA INDUSTRIES	985,326
659	WIS-PAK FOODS	984,333
660	TUCKER HOUSEWARES	983,038
661	OAK HILL SPORTSWEAR	979,131
662	NEWVILLE SHOES	977,542
663	MERANCO	976,178
664	LLOYDS ELECTRONICS	975,912
665	WEINER NEWS	974,967
666	VERBATIM	974,344
667	STERLING DISTRIBUTORS	973,895
668	MSI DATA	973,652
669	COLONIAL BAKING	972,702
670	ORAL B LABORATORIES	971,656

Military Market index

COMMISSARIES

		DECEMBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$176,851	$166,774	6.04	$1,942,472	$1,881,853	3.22
	OVERSEAS	36,613	33,577	9.04	411,691	366,936	12.20
AIR FORCE	TOTAL	**213,464**	**200,351**	**6.55**	**2,354,163**	**2,248,790**	**4.69**
	CONUS	127,470	116,655	9.27	1,365,735	1,324,750	3.09
	OVERSEAS	48,720	39,375	23.73	489,510	434,165	12.75
ARMY	TOTAL	**176,190**	**156,030**	**12.92**	**1,855,245**	**1,758,915**	**5.48**
	CONUS	74,309	70,936	4.75	765,987	733,890	4.37
	OVERSEAS	8,003	8,435	–5.12	85,174	82,910	2.73
NAVY	TOTAL	**82,312**	**79,371**	**3.71**	**851,162**	**815,800**	**4.33**
	CONUS	15,254	14,184	7.54	164,024	166,143	–1.28
	OVERSEAS	360	300	20.00	3,465	3,174	9.17
MARINE CORPS	TOTAL	**15,614**	**14,484**	**7.80**	**167,490**	**169,317**	**–1.08**
	CONUS	313	260	20.38	3,066	3,081	–0.49
	OVERSEAS	284	357	–20.45	3,637	3,575	1.73
COAST GUARD	TOTAL	**598**	**617**	**–3.08**	**6,702**	**6,658**	**0.66**
	CONUS	$394,197	$368,809	6.88	$4,241,284	$4,109,717	3.20
ALL	OVERSEAS	$93,980	$82,044	14.55	$993,477	$890,760	11.53
COMMISSARIES	TOTAL	**$488,177**	**$450,853**	**8.28**	**5,234,761**	**$5,000,477**	**4.69**
GROCERY STORES	*U.S.*[1]	*$25.447*	*$25.005*	*1.77*	*$286.041*	*$278.318*	*2.77*

EXCHANGES

		DECEMBER			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$373,795	$333,269	12.16	$3,261,732	$2,994,970	8.91
	OVERSEAS	263,368	214,980	22.51	2,452,199	2,090,425	17.31
AAFES	TOTAL	**637,163**	**548,249**	**16.22**	**5,713,931**	**5,085,395**	**12.36**
	CONUS[2]	157,841	134,104	17.70	1,204,702	1,107,146	8.81
	OVERSEAS[2]	60,302	53,655	12.37	510,261	479,816	6.35
NAVY	TOTAL[2]	**218,143**	**187,769**	**16.18**	**1,714,963**	**1,586,962**	**8.07**
	CONUS	38,582	36,997	4.28	362,497	348,736	3.95
	OVERSEAS	6,461	5,931	8.94	62,144	59,337	4.73
MARINE CORPS	TOTAL	**45,043**	**42,928**	**4.93**	**424,641**	**408,073**	**4.06**
	CONUS[3]	8,945	9,128	–2.00	82,371	84,052	–2.00
	OVERSEAS[3]	666	680	–2.06	6,135	6,259	–1.98
COAST GUARD	TOTAL[3]	**9,611**	**9,808**	**–2.01**	**88,506**	**90,311**	**–2.00**
	CONUS[4]	2,017	1,916	5.27	16,832	15,894	5.90
	OVERSEAS[4]	2,547	3,042	–16.27	27,195	36,167	–24.81
MAIL ORDER	TOTAL[4]	**4,565**	**4,958**	**–7.93**	**44,027**	**52,061**	**–15.43**
	CONUS	$581,180	$515,414	12.76	$4,928,134	$4,550,798	8.29
	OVERSEAS	$333,344	$278,298	19.78	$3,057,934	$2,672,004	14.44
ALL EXCHANGES	TOTAL	**$914,524**	**$793,712**	**15.22**	**$7,986,068**	**$7,222,802**	**10.57**
DEPARTMENT STORES	*U.S.*[1]	*$21.641*	*$20.272*	*6.75*	*$139.804*	*$131.416*	*6.38*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

ALA IN EUROPE • MARINE CORPS STORES • STATE DEPARTMENT ASSOCIATIONS

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Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY MAY 1988 $4.00

INTERVIEW

STRATEGIC VISION

Richard E. Scott, president of the American Logistics Association, talks about long-range planning and direction for resale's largest trade association.

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COVER DESIGN BY PAUL JORDAN; COVER PHOTO BY BILL KALIS

Military Market MAGAZINE

serving the military resale system

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A Tight Ship

Thanks to tight budgeting and a small staff, the Marine Corps' commissary program has escaped big budget cuts . . . Not that she wouldn't mind a slight funding increase, says Pamela LaRue.

BY BILL KALIS

Marine Corps commissaries are safe ... Safe from the budget ax.

And safe from a personnel change that could have devastated the small headquarters, if an experienced person hadn't replaced departing commissary program manager Joseph Jeu.

"Lucky, yes," says the new program manager, Pamela Pervier LaRue.

Besides being the first woman to head a commissary system, at age 31 Pam LaRue is also probably the youngest person ever to be in charge of a commissary program. The Marines have 15 stores, doing $167 million in annual sales.

She remains cool and nonplussed. "It's a high pressure job, but I love it."

LaRue has nine years of resale experience. After graduating from Virginia Polytechnic Institute and State University in 1978 with a business degree, she began working for the Army Troop Support Agency as an intern.

LaRue then moved to TSA's Northeast region as a commissary specialist and troubleshooter, later becoming chief of inventory management at NECOR.

In something of a job swap, she and her predecessor, Joe Jeu, who then also worked for the Army commissary program, both moved to the Marine Corps Commissary Service Branch in the fall of 1984. This was the same time that Jeu's predecessor, Cecil Saunders, became director of the Army's Southeast Commissary Region.

LaRue began heading the Marines commissary program in January 1988, when Jeu was officially promoted to head the Marines' services branch. She got her own promotion in February.

On Budget Cuts: "We're Tight . . . and Taking the Hits"

LaRue took over the commissary program at a time when the Marines were recovering from a rough 1987. Sales were flat, and resources were low.

While several stores cut back hours last year, the picture this year looks brighter. LaRue hopes the Marines will find a few extra pennies for their operations in the next couple of years. "We could possibly see an increase in the 1989–90 timeframe." At the very least, she says, "we hope we won't see a decrease."

LaRue notes that the Marines "boast about the fact that we've increased our sales without any funding increases or resources increases." Basically, she says, "we've been operating in the last five years with no additional funds," except for inflationary increases.

While the other commissary systems are considered separate agencies under each military department, the Marines program is part of the Marine Corps' headquar-

By Beverly Jones, Associate Editor

ters budget and not a separate agency at all.

They were saved from the '88 budget ax, because "we've been operating as tight as we can and taking the hits for the last five years." In fact, the commissary program is one of the few in the headquarters budget that wasn't touched.

"We attribute that to our efficient operations," LaRue says. However, "it doesn't mean we should stop looking for ways to tighten up, but it is about as tight as it can be."

Last year's curtailed store hours have been partially restored. The Hadnot Point, N.C., store, having cut out six hours, is now back to a 48-hour weekly schedule. Tarawa Terrace, cut four hours, has added two hours to its original 50-hour schedule.

(However, the Quantico, Va., store is still operating at 41 hours a week, down seven hours. The El Toro, Calif., store is operating on a five-day schedule instead of the former six.)

LaRue says better management of part-time employees is part of the reason for some hours increases. For example, the Cherry Point, N.C., commissary is a seven-day operation, though it's only funded for six days a week. "They managed to do it by stretching out part-timers and scheduling them properly," says LaRue.

On Sales: "Not Losing Any, Not Finding New Shoppers"

Sales for fiscal 1987 were up 1.3 percent over fiscal 1986. They increased at 1 percent in the first quarter of fiscal 1988. LaRue projects a total 3-percent increase for fiscal 1988.

Over the past five years, Marine commissaries have increased sales 31 percent — 24 percent without inflation.

"With any system that's had the increase in sales we've that had in the past five years, you're eventually going to level off," says LaRue. Increases in the past two years have been only about 1 percent each year.

The reason, she says, is that the market is basically saturated. "We're not losing any sales. We're just not finding any new commissary shoppers."

On New Stores: "We'll Get Some New Patrons"

One way of getting new shoppers and increased sales is by opening a new store.

A new commissary at Twenty-nine Palms, Calif., set to open in mid-July, could increase sales by as much as $300,000 a month. The new store will have 15,500 square feet — 5,800 square feet more than the present store. LaRue hopes that the new store will increase sales to $1 million a month from the current $700,000.

In 1990, a new store and new warehouse will be completed at Camp Lejeune, N.C. The single large store will replace the two smaller stores at Tarawa Terrace and Hadot Point.

When complete, the Lejeune commissary will be the largest in the Marine Corps, with at least 20 checkouts.

"Hopefully, we'll get some new patrons with the new store," LaRue says.

Also in 1990, the East Coast distribution center, at Camp Lejeune, will get new digs. "The base is giving us contiguous warehouses," LaRue says, and the commissary service will spent $1 million to attach the two. Warehouse space will be doubled to 128,000 square feet.

The East Coast distribution center is older and carries fewer line items than its West Coast counterpart — it stocks only 2,700 line items versus El Toro's 3,500 dry grocery lines. The new Lejeune distribution center should mean an increase to 3,500 or more line items.

(Because of distance, three of the 15 Marine stores — at Kaneohe Bay, Hawaii; Albany, Ga.; and Quantico, Va. -- do not receive shipments from the central distribution centers. All of the other 12, including the store at Iwakuni, Japan, are covered.)

LaRue says the Marines don't plan to use frequent delivery to augment the distribution centers. "We take care of distribution ourselves," she says, and the Marines want to keep it that way. However, she acknowledges that budget cuts could force such a decision "years down the road . . . but, right now, it's not in the plan."

On Scanning, Central Pricing: "It's Less Labor-Intensive"

Although it's still not definite, the Marines may finally get scanning in some stores by the end of summer. Plans for scanning have been made over the past two years, but numerous problems arose with contract administration.

"There were some questions on bids that had to be answered by our contracting office. Technically, we had

Marine Corps Commissary Sales

	Fiscal 1986 Sales	Fiscal 1987 Sales	Percent Change
WESTERN			
El Toro	23,341,268	23,212,459	–0.55
San Onofre	4,004,793	4,382,693	9.44
Camp Pendleton	22,048,282	23,021,841	4.42
Barstow	3,329,416	3,455,473	3.79
29 Palms	7,523,774	7,850,973	4.35
Yuma	6,394,666	6,514,980	1.88
Kaneohe Bay	12,538,872	12,088,070	–3.60
Iwakuni	3,059,054	3,296,272	7.75
TOTAL	**82,240,125**	**83,822,761**	**1.92**
EASTERN			
Hadnot Point	13,035,091	13,071,030	0.28
Tarawa Terrace	13,995,906	14,649,231	4.67
New River	3,215,746	3,391,580	5.47
Cherry Point	16,598,798	17,318,580	4.34
Parris Island	8,077,515	7,993,180	–1.04
Albany	5,591,366	5,747,568	2.79
Quantico	22,096,205	21,012,386	–4.91
TOTAL	**82,610,627**	**83,183,964**	**0.69**
GRAND TOTAL	**164,850,752**	**167,006,725**	**1.31**

system of the month

BY BILL KALIS

COOL UNDER FIRE: "It's a high pressure job, but I love it," Pam LaRue says.

no problem with it," but there were some administrative problems, LaRue explains.

The milestone date for contract award is now the last day in May.

When the scanning contract is awarded, implementation will be quick. The Marines aren't going to bother to test scanning since they believe it's a valid concept and well proved by the other services.

The first site, the West Coast distribution center, will be brought on-line within 60 days of contract award. After the contract is awarded, it will take only eight months to get all 15 stores on line, LaRue predicts. The implementation schedule is roughly three stores every 30 days:

☐ Thirty days after the West Coast distribution center is completed, Camp Pendleton, San Onfre and El Toro will get scanning.

☐ Next, the East Coast complex office will be done, plus the two Camp Lejeune stores, and the Cherry Point, and New River, N.C., stores.

☐ Then, within 30 days, the more remote East Coast stores will be done — Parris Island, S.C., Albany, Ga., and Quantico, Va.

☐ Back to the West Coast, where Yuma, Ariz., Twenty-nine Palms, and Barstow, Calif., will be completed.

☐ Last to be done will be Iwakuni, Japan, and Kaneohe Bay, Hawaii.

Scanning will be put into the complex offices before it's added to the stores, because prices will be centrally downloaded. All pricing and price changes will be done at the two complex offices. "Because we have the central distribution center and central procurement, we have all the pricing at the complex anyway," LaRue says.

"It's less labor-intensive and really smarter for us to do it this way."

Though the other services have a scanning coordinator at each store, the Marines won't. The exceptions will be the end-of-the-pipeline stores — Iwakuni, Japan, and Kaneohe Bay, Hawaii.

However, each commissary will have a limited capability to make price changes — for local VPRs, for example.

On Fixing Problems: "Once We Get Hooked Up"

Implementing the Commissary Management Information System has also been delayed because of contract specification problems.

Most of the software has been installed and is running at both complex offices. However, not all the bugs have been worked out, and some subsystems still aren't running.

The CMIS contract was awarded in 1986, but there were problems documenting the software since the contractor failed to give software specifications in military standards.

The result is that the two complex offices still cannot talk computer-to-computer with their headquarters, or to each other.

The problem will be fixed, says LaRue, "once we get our modems hooked up and software installed."

The big benefit to the headquarters will be getting its reports through a computer rather than in a hardcopy form. MM

on the firing line

Changes at State

Employee-run associations at U.S. embassies overseas have been under fire during the last three years — from Congress and the State Department's own Inspector General.

A 1986 IG report recommended extensive changes to operations and the organization of the associations. That same year, the General Accounting Office recommended that the co-ops eliminate their use of outside contractors to provide services.

To discuss changes made in the Office of Commissary and Recreation Affairs, MILITARY MARKET *interviewed Richard Faulk, State's acting assistant secretary for administration and deputy assistant secretary of operations in the Bureau of Administration.*

State's Richard Faulk

The bureau oversees OCRA, which in turn provides oversight and support to 137 associations at United States embassies, consulates and missions all over the world. Is Director, Ravi Sikand, and a staff of four make up the Office of Commissary and Recreation Affairs.

Essentially, associations are employee-run co-ops.

They operate activities ranging from small convenience stores to full-scale commissaries and exchanges. At larger posts, they also run TDY housing, cafeterias, cable TV stations and other recreational activities.

Please give a skeleton summary of the changes that have come in the past two years, since the State Department's IG report cited deficiencies in embassy associations.

FAULK: First of all, we've complied with everything in the report. Basically, there are no longer any associations contracting-out. The profits that were realized were returned to the Treasury. That was the report's main thrust: We shouldn't be in the contracting business for profits, and I think we have fulfilled that obligation.

We now have a totally non-appropriated funds office, except for the director. That job is in the process of being changed from foreign service to civil service.

All of the associations now have a charter that they write and submit here. It's reviewed by the staff at the commissary and recreation office, and we either approve or disapprove it or ask them to make changes. It has to list all of their activities, so we have a better handle on what the associations are doing.

Consultants have visited our posts, and the main thing they wanted us to do was get more standardization in the financial accounting area. So first you standardize the bookkeeping and financial reporting so from post to post it's all in the same format.

How are you standardizing the bookkeeping?

We engaged a computer firm to do a test for us, which is completed. We then got an outside firm to come in and do an analysis of the test.

Recommendations have been made to me and I have adopted them. What we're basically going to go forward with is standardized computer software for the field.

Who pays for that?

The associations. The program gives them a number of years — a deadline to be able to standardize by, but we have not put a date on it yet.

The cost is minimal for the software — $700 for seven or eight modules.

But if you were a small association, would you need all those modules?

The recommendation from the reviewing firm was that even a small association would be better off because they could automate almost all their total operation.

In our test we looked at many associations, from our largest in Bonn to our smallest. We tested it at eight posts last year and we're very pleased with the software.

For example, in Yemen, in the middle of the Arab world, there's no American accounting firm. There's no British accounting firm that's willing to do this type of job for what we can afford out there. And there's no one at the post who is able to do it. How do you do it?

What percentage of the associations are submitting financial reports now?

We're up in the nineties.

Compared to 70 percent which reported-in before?

That figure may be a little off, but that's about it.

Did you create a standard handbook for them to follow?

We just finished a book, the first of three — a series of manuals on how to do it. It's based on the computer program. The financial management computer programs tie right in with it. If someone followed this, they could also do the financial reports. There's computer coding on how to do things, so you can do it manually or by machine. And the other two handbooks are coming along.

By Beverly Jones, Associate Editor

What will those handbooks address?

One is for the Mom-and-Pop store, for the little guy, and is sort of a standard for everybody. The other one is more of a specialty book — how to run swimming pools, TDY apartments and the various other specialty things.

The second one is in the printers ready to be bound, the third one is in draft review.

Lastly, we're revising our regulations to comply with the IG's recommendations and informal conversations we've had with the Hill. We hope to have those in the very near future also.

We've made a lot of changes in some of the old things that are going on, things that Ravi Sikand has done and continues to do so well in support of the operations in the field.

We have some unique problems. For example, our regulations require us to have bonded employees, but we cannot get an insurance company to bond our people without paying an arm and a leg. In other words, the association would close because it couldn't afford bonding.

We're also planning more regional association conferences. We have two scheduled for this year.

Have you had regional meetings in the past?

We've done all of the regional areas and they're not cheap — they're very expensive. The associations, however, finance their participation.

What's the percentage of associations who attend?

Ninety to 95 percent.

Getting back to the IG's report ... a follow-up audit was finished in December. What were the results?

It was just closing the original one, saying we were in compliance. I talked to Chairman Brooks this morning about a couple of things and he tells me we do. *[Rep. Jack Brooks, D-Texas, is chairman of the House Goverment Operations Committee, which oversees OCRA.]*

I haven't had a chance to get in and say, "Where the hell is it?", and find it, but he assures me we have the final copy without a cover. He didn't have the date when we got it but I've got to track through both our systems.

How many associations have now signed a charter?

They've all responded and all the charters are now approved. We did have a couple of rocky starts.

The El Salvador association delayed paying its new assessment fees. [Since the system became non-appropriated in October 1987, all associations are due to pay an annual assessment fee].

They hired an attorney and got an opinion. We countered with a legal opinion and they paid.

Isn't that mutinous, to have your own association hiring its own attorney to fight you — headquarters?

But it shows the independence. I think that shows the difference with the military agencies. I've never been able to articulate this to Mr. Brooks and his staff that that's the difference between our associations and the military commissaries and exchanges.

Ours are made up of voting members. It's like a school board, I think would be the best analogy I could make. The school board votes on school policies within a framework of state education.

Which makes it all the more difficult to try and centralize a group so fiercely independent.

What we're trying to do is establish guidelines for them — rules and regulations that they can look at and work within. Tools like the book, the computerized standard financial programs, and consultants.

I generally see what we're here to do. The daily operations and where they get their goods from, whether they open up a bowling alley or not, is their business.

Rep. Jack Brooks on Embassy Associations

MILITARY MARKET *asked Rep. Jack Brooks, D-Texas, chairman of the House Goverment Operations Committee, to comment on embassy employee associations and the deficiencies he feels still exist. Brooks is known for his outspoken criticism of the State Department's management of associations and the strong oversight role he plays.*

◆

Are you satisfied with the progress State has made in implementing the 1986 IG report?

It was only after many months of foot-dragging that the department's management agreed to the IG recommmendations. While I'm pleased to see that some progress is finally being made on implementing these reforms, it is clear that much more remains to be done.

Above all, management officials at State Department headquarters must be far more aggressive in their oversight of the associations. They simply cannot take the position that it is the Inspector General's job to keep the associations in line.

◆

What is your response to the IG report on associations in Bonn and Frankfurt?

The wide range of deficiencies documented in the IG's recent report is clear-cut evidence that serious problems continue to plague the associations.

I'm particularly concerned that associations in Bonn and Frankfurt, and apparently at many other posts as well, are making significant profits operating temporary housing quarters using facilities owned by the U.S. government.

Despite the department's claims to the contrary, I believe these profits are highly improper, if not outright illegal, and will work to see that they are eliminated.

◆

What are the committee's plans for future oversight of associations?

We will continue our oversight of the department's employee associations as long as it takes to ensure that they are run in an efficient, effective and legal manner.

Sources of Embassy Association Income — 1986

Apartments	Commissary	Exchange	Food Services	Recreation	Vehicles	Services*	Video Rental	TOTAL
AFEX (Africa)								
$373,721	$4,491,695	$1,145	$1,356,080	$211,864	$1,474	$89,880	$67,144	$6,592,203
ARAEX (Central/South America)								
173,653	7,675,954	16,848	347,429	0	5,952	118,261	52,244	7,925,801
EAPEX (Pacific/Far East)								
45,920	6,431,105	416,155	3,827,797	20,965	0	882,037	169,437	11,787,841
EUREX (Europe)								
417,069	7,979,297	2,716,677	3,719,395	465,820	23,479	542,631	49,633	15,493,366
NEAEX (Near East/Mid East)								
24,603	8,223,908	285,001	2,281,960	124,761	1,960	17,233	85,930	11,045,355
GRAND TOTAL								
$1,034,965	**$34,801,959**	**$3,435,826**	**$11,532,661**	**$823,410**	**$32,864**	**$1,650,042**	**$424,387**	**$52,844,566**

SOURCE: State Department. Figures are rounded to the nearest dollar and therefore may not add to totals. * Services include day care, library, TDY housing, movie theaters, etc.

But some people on the Hill say they want a stronger, centralized system.

I think they're wrong.

We have a genuine problem when Chairman Brooks wrote us saying management isn't taking a strong enough active role in oversight. I believe that the oversight role belongs with the IG. That's why we spend the millions of dollars for an Inspector General. Not just this, but oversight is their responsibility.

When we know associations are not doing something right, we say, "OK, you can't do that, but here's how you can do something."

But you wouldn't slap their hands for doing it.

No. It's not my job to do that. I have no authority to slap anyone's hands, but we can recommend that their charter be abolished.

Could you have done that, for instance, if the El Salvador association hadn't paid its fees?

A telegram to El Salvador made it very plain that on a certain date the ambassador was directed to withdraw all support and disband the association.

I think we've laid down the gauntlet. No one has really pushed me to the fact of saying no.

Do you feel Congress is micro-managing you?

No comment . . .

Why are they paying so much attention to you?

They have an oversight role and have every right to do it.

How far they go, you and I could discuss whether it would be more interesting in how much was wasted on the B-1 bomber vs. a nickel-dime operation like the State Department commissaries, which in total doesn't even buy the wheels for a B-1 bomber. It's not for me to make those calls.

I think the hearing that we had before Brooks about a year and a half ago set the tone very well. He said he thinks the department has not managed associations as well as should be.

Some people criticize the State Department, saying you've dragged your feet since the IG's report came out two years ago.

I think the bureaucracy moves slow. No one is more intemperate to the speed in which we get things done than I am. But it's like moving a battleship, changing the direction of a ship or stopping it at sea. The chairman says, "Stop X", and it's supposed to be stopped.

When you're changing positions and doing away with positions as we've had to do to make this a non-appropriated fund activity, it's not done overnight. From their perspective, I can understand it doesn't move as fast as they'd like. In some of the areas, we have to go out and get a contractor to come in and do work for us.

I think if you put everything in a nutshell, we have turned the ship around. We are doing the oversight that's required. We've put in place all of the recommendations or are putting them all in.

What percentage of the 137 associations have paid their assessments?

It's 88 percent. Nineteen posts are outstanding but they're all coming in.

What is the formula for the assessment?

OCRA prepares a budget for the board, it goes to the finance committee of the board, then is presented to the full board for a vote.

[EDITOR'S NOTE: The Central Commissary Fund Board has 10 voting members, five from State, and one each from the Defense Department, United States Information Agency,

Agency for International Development, and the Commerce and Agriculture departments.]

Once that budget is approved, then we look at the previous year's income from all the associations and come up with a percentage figure, i.e., this year works out to ½ of 1 percent of their total gross proceeds.

During these first couple of years, given the inspection reports and everything that we're trying to do, I think the cost of running a commissary will be a little higher than it will be in the out years.

Have the associations complained about the fee?

Generally the reception has been very good.

What can you offer them in return for their money?

This is just more bureaucracy. I think a lot of things that we've just talked about is what we're offering.

I can give you an example ...

We've had a couple associations come to us, saying, "We've got real problems. We don't know what to do. The books are in disarray." We've sent consultants out at no cost to the association, reviewed their situation and made recommendations.

The Bonn association has been in a rough spot. The association's cable TV station bought videotapes and then showed them on an inside network. Isn't that a copyright violation?

I don't know if they're still doing it, and I could not vouch for what they program. They've been told to cease and desist by the IG. They have not formally replied to the IG report yet.

When were they told they should cease?

October, November.

So they've had plenty of time to respond.

They run a lot of programs. This is a very big operation.

Having served in Bonn and been involved in it, I'm a little too close, but the association operates a number of activities besides the television station.

Our attorneys said it was their impression there would be a ruling against the association. A second opinion, gotten by the Bonn post, states just the opposite.

That's really not so surprising.

It will get settled. One way to use those tapes is get blanket authority from a firm in the business of doing just that.

But it's basically like going down to a video rental store, renting a tape, then putting it on your own private network.

I would not defend what Bonn has done. But, putting it in perspective, Bonn ordered those tapes under a letterhead that says television association.

How many more associations are doing that?

We have no idea. It's probably around 10.

So insofar as you controlling your associations, are you going to issue some directives saying ...

We already have. We've sent a telegram out and our regulations are revised.

Our people don't live in downtown Washington, D.C. They're in remote places and they need entertainment. Our job is to find a way, a solution, *not* to find a way to say no to them.

I understand that Chairman Brooks was especially upset that the profits from the TDY housing in Bonn were going into the fund to buy the videotapes. Can you respond to that?

Our regulations allow us to do certain things. Unlike the Department of Defense, we are strictly a non-appropriated fund activity. We do not get the support of government. The attorneys advise us that what they're doing is legal.

We are looking for alternatives that would serve our purposes and also solve Chairman Brooks' problems with the profit situation.

We have a study under way right now with an outside firm to visit our posts in the field. First, we'll go out with a telegram asking questions to find out who does it. Then we'll get a cross-section of those posts, visit them, and see what are the alternatives to this.

One of the things that bothers me somewhat in this area is that there are needs. If the associations don't run it, who runs it?

One of the suggestions made was to have the associations run them but not to make profits. My candid opinion is — would you do something for nothing?

It used to be that each association was an island unto itself in that it was not very micro-managed and didn't have a lot of supervision from Washington. Now they've gotten a bit more supervision from Washington. What do you see in the future?

I see the future as very bright. I really do.

We'll get over this. There's a lot of things we can do for the posts out there. I think we will be getting a lot more efficient in how we do things.

The ambassador is responsible for everything that goes on at his post. The real oversight is at the post. We set the rules and the regulations back here.

But it seems that in a lot of cases the ambassador hasn't overseen the association.

I think that's changing. MM

STATE DEPARTMENT ASSOCIATIONS

update

NAVE$$O'$ Biggest Vendors

The 148 companies listed on the opposite page are vendors who did the most business with the Navy Resale and Services Support Office during fiscal 1987.

Readers should note these firms are those that received payments at a *single* address. Organizations with multiple addresses are not included in the list, even if their billings exceed $1 million.

This year, tobacco companies continued to lead vendors both the NAVRESSO million dollar vendor list, as well as the AAFES list (which was published in last month's MILITARY MARKET).

Philip Morris, the maker of such brands as Marlboro and Benson & Hedges, is the No. 1 vendor on both lists, with sales of $27.5 million in Navy exchanges and $39.3 million in Army and Air Force exchanges.

R.J. Reynolds, another tobacco manufacturer, is also rated one of the Top 10 on both lists. RJR did $22.3-million worth of business with AAFES, and $18.9 with the Navy.

Other companies making it to the Top 10 on both lists include Eastman Kodak ($37.3 million with AAFES, $8.2 million with the Navy) and Procter & Gamble ($23.8 million with AAFES, $8.9 million with NAVRESSO).

Has there been significant movement on the lists since last year?

The Defense Personnel Support Center, the leading AAFES vendor in fiscal 1986 ($114.3 million), was omitted this year because the agency is part of the federal government, according to an AAFES spokesman.

Oil companies like Conoco and U.S. Oil jumped from No. 60 and No. 58, respectively, to Top 10 slots in fiscal 1987. The oil company making by far the most progress is Mansfield Oil, a Georgia-based agency that signed a contract to supply AAFES' ConUS regions about one year ago. The company is now the No. 3 AAFES vendor.

Another new Top 10 entrant on the AAFES list is Apple Computer, which moved from No. 18 in 1986 to No. 8 during fiscal year 1987.

On the Navy side, the Top 10 vendors stayed almost the same. However, Exxon and Eurpac West have moved into top slots, replacing RCA Sales and Levi Strauss.

TOP 10 IN NAVY EXCHANGES

Fiscal 1986	*Fiscal 1987*
Philip Morris	Philip Morris
R.J. Reynolds	R.J. Reynolds
Procter & Gamble	Procter & Gamble
Eastman Kodak	Eastman Kodak
Wolverine	Exxon Co. U.S.A.
American Greetings	Eurpac West
Levi Strauss	American Tobacco
American Tobacco	Creighton Inc.
RCA Sales Corp.	American Greetings
Creighton Inc.	Wolverine

TOP 10 IN AAFES

Fiscal 1986	*Fiscal 1987*
Defense Personnel	Philip Morris
Philip Morris	Eastman Kodak
Chevron U.S.A	Mansfield Oil
Eastman Kodak	U.S. Oil
R.J. Reynolds	Gasco Gasoline
Procter & Gamble	Procter & Gamble
Texaco Inc.	R.J. Reynolds
Beverages Food & SVC	Apple Computer
Gasco	Conoco
Frito-Lay	Beverages, Foods & Services

Navy Resale's Million-Dollar List

AMERICAN GREETING CARDS	$6,892,255
AMERICAN TOBACCO	7,313,166
ANHEUSER BUSCH	3,451,617
APPLE COMPUTER	5,237,294
ARA SERVICES/SAN DIEGO	1,697,502
ARA SERVICES/NORFOLK	2,035,553
ELIZABETH ARDEN	1,752,262
ARROW	1,801,553
ARTEX	1,023,160
ASSOCIATED DISTRIBUTOR	1,149,333
AT&T	1,469,227
AUDIOVOX	1,245,851
BASF	1,453,000
BATES SHOE	2,098,521
BEVERAGES FOODS & SERVICE INDUSTRIES	2,950,879
BIB DISTRIBUTING	1,612,633
BLACK & DECKER (HOUSEWARES)	2,706,939
BLACK & DECKER	1,310,005
BOSE	1,603,978
BRIGADE BRANDS	3,088,434
BROWN & WILLIAMSON	4,805,461
CAMPUS SWEATER & SPORTSWEAR	1,091,779
CANON	2,395,085
CASIO	1,103,224
CERTIFIED PRINTING	2,890,380
CHEVRON CHEMICAL	2,296,594
CHEVRON USA	3,857,629
COAST DISTRIBUTING	1,099,791
COCA COLA/LOS ANGELES	1,765,229
COCA COLA/EXPORT	2,817,442
COCA COLA/NORFOLK	1,517,299
COCA COLA BOTTLING/MEMPHIS	1,162,539
COLGATE PALMOLIVE	1,333,691
COMMODORE	2,507,390
CONOCO	1,871,591
CREIGHTON	7,280,983
DAVIS CLOTHING	3,007,748
DIAL	1,005,722
EASTMAN KODAK	8,202,704
ENCORE INTERNATIONAL	2,968,649
ETHAN ALLEN	1,207,083
EURPAC EAST	5,402,821
EURPAC WEST	7,796,666
EVEREADY BATTERY	2,397,740
EXXON	7,802,956
FH ANTHONY & ASSOCIATES	1,552,642
FIELDCREST MILLS	2,073,391
FISHER PRICE TOYS	1,266,079
FISHER	2,276,256
FISHER CAMUTO	1,322,913
FRITO LAY	3,392,132
GILLETTE	2,862,366
GOODYEAR	2,494,909
GRUEN MARKETING	2,553,809
GTE SYLVANIA	1,213,435
HAGGAR	1,736,820
HANDLEMAN	1,946,488
HANES HOSIERY	2,193,568
HANES KNITWEAR	2,938,553
HASBRO	1,094,146
HEALTH-TEX	1,077,958
HERSHEY CHOCOLATE	1,485,870
HILBORN HAMBURGER	1,566,253
HITACHI	1,793,140
HOFFMAN BEVERAGE	1,187,900
HOOVER	1,091,561
INGRAM SOFTWARE	1,415,874
JACOBS SUCHARD/BRACH	1,247,349
JOCKEY	1,915,518
C LLOYD JOHNSON	3,535,213
SC JOHNSON & SON	1,132,159
JOHNSON & JOHNSON	1,574,631
JP STEVENS	1,160,108
JOHN K KEALY	3,415,316
JVC AMERICA	1,447,246
KENWOOD	1,123,442
KIMBERLY CLARK	1,710,022
LIGGETT & MEYERS	4,505,998
LIEBERMAN	1,473,010
B LIPPMAN	2,840,595
LEVI STRAUSS	5,674,996
LIZ CLAIBORNE	3,724,775
LORILLARD	3,689,753
MAIDENFORM	1,121,365
MANSFIELD OIL	1,068,036
MATTEL	1,809,266
MERCURY LUGGAGE	1,187,603
MICHELIN	1,182,243
MILLER BREWING	1,697,870
MINOLTA	2,727,614
M&M MARS	2,418,680
MOHAWK MARKETING	1,349,580
MONARCH CROWN	2,189,436
PHILIP MORRIS	27,541,978
MUNSON SPORTING GOODS	1,366,418
NABISCO BRANDS	1,389,571
NABISCO BRANDS/ATLANTA	1,406,908
NATIONAL VENDORS	1,042,947
NCR	1,963,719
NIKE	5,139,061
NINTENDO	1,315,433
OLD DOMINION TOBACCO	1,366,020
ORANGE BLOSSOM	1,253,159
ORIT	1,957,833
OSHKOSH B' GOSH	1,069,484
OSTER/SUNBEAM	1,143,729
PAULING	1,720,329
PALM BEACH	1,227,418
PENDLETON	1,803,538
PEPSI COLA BOTTLING/SAN DIEGO	1,299,377
PIONEER	2,171,852
PLAYTEX	1,495,404
POLAROID	1,963,626
PLAYSKOOL	1,164,677
PROCTER & GAMBLE	8,982,253
POLO/RALPH LAUREN	1,063,001
RADIO SHACK	2,026,720
RAFAEL	1,376,963
REEBOK	2,142,405
RCA	3,418,857
RJ REYNOLDS	18,949,190
RJ REYNOLDS	2,074,375
REVLON	3,500,142
ROBERT TABAKOW	2,260,269
RTA INTERNATIONAL	2,815,689
RUBBERMAID	1,510,665
SANDBERG & SIKORSKI DIAMOND	1,685,876
SEAGOING UNIFORM	4,462,767
SHARP	4,441,177
SOUTHERN APPAREL	3,395,232
NV SPRING	1,833,389
SYCAMORE	1,325,122
SYSTEM DEVELOPMENT	1,163,110
3M	3,007,722
TELEFLORA	1,257,549
TIMEX	2,242,993
TOSHIBA AMERICA	1,080,321
VANGUARD INDUSTRIES	2,982,273
VANGUARD MILITARY EQUIPMENT	3,651,978
VELVA SHEEN	1,775,082
VENDO CO.	1,087,325
VICKS	1,051,748
UNION BAY	1,185,614
WARNER LAMBERT	1,124,581
WEINTRAUB BROTHERS	1,341,344
WHIRLPOOL	5,727,417
WOLVERINE	6,276,184
ZENITH	2,560,284

Military Market index

COMMISSARIES

		JANUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$157,492	$160,391	−1.81	$157,492	$160,391	−1.81
	OVERSEAS	34,955	32,741	6.76	34,955	32,741	6.76
AIR FORCE	TOTAL	**192,447**	**193,132**	**−0.35**	**192,447**	**193,132**	**−0.35**
	CONUS	111,720	112,350	−0.56	111,720	112,350	−0.56
	OVERSEAS	42,525	38,325	10.96	42,525	38,325	10.96
ARMY	TOTAL	**154,245**	**150,675**	**2.37**	**154,245**	**150,675**	**2.37**
	CONUS	59,799	58,235	2.69	59,799	58,235	2.69
	OVERSEAS	6,612	6,817	−3.01	6,612	6,817	−3.01
NAVY	TOTAL	**66,411**	**65,062**	**2.07**	**66,411**	**65,062**	**2.07**
	CONUS	13,201	13,976	−5.55	13,201	13,976	−5.55
	OVERSEAS	284	277	2.53	284	277	2.53
MARINE CORPS	TOTAL	**13,484**	**14,253**	**−5.40**	**13,484**	**14,253**	**−5.40**
	CONUS	242	272	−11.03	242	272	−11.03
	OVERSEAS	318	312	1.92	318	312	1.92
COAST GUARD	TOTAL	**560**	**584**	**−4.11**	**560**	**584**	**−4.11**
	CONUS	$342,454	$345,224	−0.80	$342,454	$345,224	−0.80
ALL	OVERSEAS	$84,694	$78,472	7.93	$84,694	$78,472	7.93
COMMISSARIES	TOTAL	**$427,148**	**$423,696**	**0.81**	**$427,148**	**$423,696**	**0.81**
GROCERY STORES	*U.S.*[1]	*$23.323*	*$23.659*	*−1.42*	*$23.323*	*$23.659*	*−1.42*

EXCHANGES

		JANUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$220,524	$222,873	−1.05	$220,524	$222,873	−1.05
	OVERSEAS	198,752	182,146	9.12	198,752	182,146	9.12
AAFES	TOTAL	**419,277**	**405,019**	**3.52**	**419,277**	**405,019**	**3.52**
	CONUS[2]	83,819	67,757	23.71	83,819	67,757	23.71
	OVERSEAS[2]	40,117	30,433	31.82	40,117	30,433	31.82
NAVY	TOTAL[2]	**123,936**	**98,190**	**26.22**	**123,936**	**98,190**	**26.22**
	CONUS	18,898	19,018	−0.63	18,898	19,018	−0.63
	OVERSEAS	4,489	3,926	14.34	4,489	3,926	14.34
MARINE CORPS	TOTAL	**23,386**	**22,944**	**1.93**	**23,386**	**22,944**	**1.93**
	CONUS[3]	5,237	5,344	−2.00	5,237	5,344	−2.00
	OVERSEAS[3]	390	398	−2.01	390	398	−2.01
COAST GUARD	TOTAL[3]	**5,627**	**5,742**	**−2.00**	**5,627**	**5,742**	**−2.00**
	CONUS[4]	1,239	1,352	−8.36	1,239	1,352	−8.36
	OVERSEAS[4]	1,576	1,474	6.92	1,576	1,474	6.92
MAIL ORDER	TOTAL[4]	**2,815**	**2,825**	**−0.35**	**2,815**	**2,825**	**−0.35**
	CONUS	$329,717	$316,344	4.23	$329,717	$316,344	4.23
	OVERSEAS	$245,234	$218,377	12.34	$245,234	$218,377	12.34
ALL EXCHANGES	TOTAL	**$575,041**	**$534,721**	**7.54**	**$575,041**	**$534,721**	**7.54**
DEPARTMENT STORES	*U.S.*[1]	*$8.564*	*$7.877*	*8.72*	*$8.564*	*$7.877*	*8.72*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

Juices Go Exotic • An Ethnic H&BA Education • The European Pipeline Jam

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Military Market

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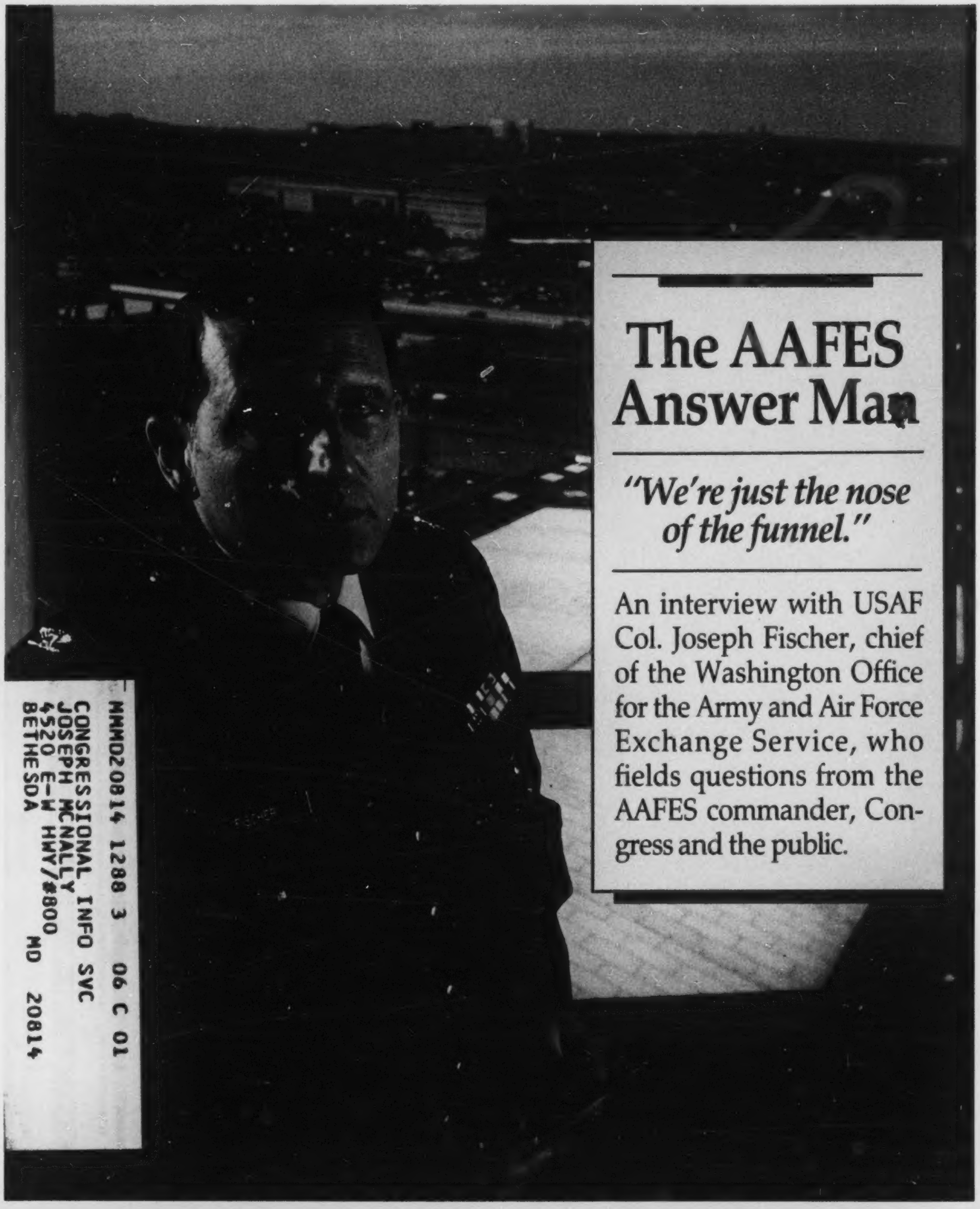

The AAFES Answer Man

"We're just the nose of the funnel."

An interview with USAF Col. Joseph Fischer, chief of the Washington Office for the Army and Air Force Exchange Service, who fields questions from the AAFES commander, Congress and the public.

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COVER DESIGN BY PAUL JORDAN; COVER PHOTO BY KATE PATTERSON

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serving the military resale system

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SHOW ’N TELL

Reports by Gregory Wright, Associate Editor

ALA Conference Showcases Ohio Region

Ever wondered how AAFES’ distribution system works, what type of promotions the agency offers, or how you get your product sold in Army or Air Force exchanges?

About 50 vendor representatives who attended the Midwest ALA meeting at Wright-Patterson AFB, Ohio, on May 11–13 got to find out.

The meeting, hosted by Ohio Valley Exchange Region officials and sponsored by the association’s Midwest chapter, was the first resale “show-and-tell” event ever presented on a regional level.

“This is a chance for [delegates] to come to an Army and Air Force Exchange service region and see the grass roots on how to deal with an AAFES exchange,” said Paul Bierhaus, military sales manager for 3M and the ALA’s exchange committee chairman.

“This is a forum for them to sit down with the region and find out how do I get in displays and deal with people at the store level.”

The idea for the meeting came about after Aubrey Rembold, chief of the Ohio Valley Exchange region, attended the ALA’s Western Conference and decided to host a similar meeting on the regional level.

The ALA members attending toured Wright-Patterson AFB’s exchange in the morning and later attended seminars on OVER initiatives, replenishment systems and promotional events.

How to Make the Best of AAFES’ Distribution System:

The Ohio Valley Exchange Region handles over 1,700 vendor contracts each year.

Frank Oliverio, chief of purchasing for the region, outlined AAFES’ replenishment methods and offered vendors tips on how to take advantage of its distribution system:

One-time buy: According to Oliverio, one-time buying is “the quickest way to get an item on the salesfloor and into the AAFES system.”

Under this method, vendors contact AAFES headquarters or regional buyers and offer them a chance to purchase a limited amount of a special, one-time-only item.

What makes one-time buys attractive for buyers?

Oliverio said vendors should make one-time items “exciting” to buyers by offering them in conjunction with store grand openings, anniversaries, giveaways and sales.

The one-time buy should also be competitively priced.

“We’ll sell anything, anytime, anyplace as long as we feel it will give the customers a good price,” Oliverio said.

After a vendor is awarded a one-time buy contract, the company should visit the store where the product is offered on a monthly basis and assist in setting stock levels. Oliverio said that, ultimately AAFES has the final word on this decision but the region appreciates input from vendors who have handled the goods on a national level.

Warehouse System: The purchasing directorate at AAFES headquarters handles warehoused items, which are non-seasonal, high-volume goods that are used every day (for instance, toothpaste and shaving equipment). In order to get an item placed in the warehouse, vendors should make a sales presentation to headquarters buyers.

Once the merchandise is in the warehouse, a responsible vendor should make periodic visits and remove or replace aged or defective merchandise, Oliverio said.

Open-order direct delivery: Under this method, which is ideal for seasonally sensitive merchandise, vendors contact regional buyers and deliver items on a daily or weekly basis.

Oliverio said vendors who have open-order direct delivery contracts are required to visit stores on a regular basis, reorder merchandise and offer promotional advice.

“This method allows the greatest vendor involvement,” he said. “You tell how much we need, how to show it and can provide fixtures.”

What is the key to maintaining a healthy open-order direct delivery relationship with AAFES? Oliverio said instead of dumping “a bunch of stuff” on stores, vendors should look at the sales floor and stockroom levels of their items and propose quantity levels accordingly.

Seasonal-buy plan: The seasonal-buy plan works best with merchandise that is sold only during holiday seasons like Christmas, Halloween and Thanksgiving. Oliverio said the holiday categories include not just candy, but decorations and fixtures, as well.

“The seasonal buying plan is similar to one-time buying but more volume [of merchandise is sold] and committed way in advance,” said Oliverio.

Because AAFES handles seasonal events every year and monitors sales levels, Oliverio said vendors do not have to become overly involved in promoting holiday items.

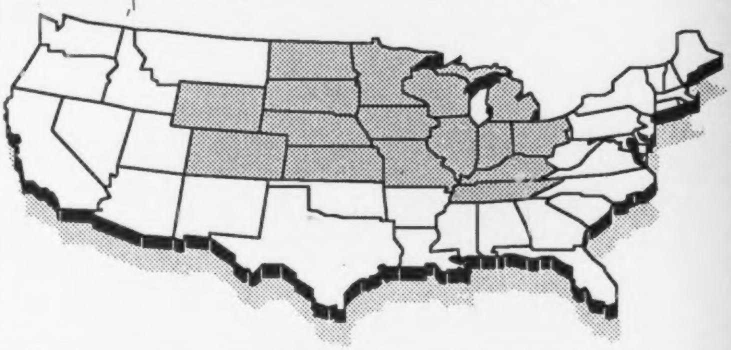
“There’s no sense in you sending a person to our store when we know how to distribute an item . . . That would be a waste of money,” he said.

Ohio Valley Region Statistics — Fiscal 1987

Area:	16 states
Total number of operations:	432
Sales:	$469.5 million
Inventory level:	$77.9 million
Local purchases:	$228.3 million
Special buys:	$14.7 million
Number of vendor contracts:	1,700*
Expenditures	$18.2 million**
Employees:	8509†
Annual employee turnover:	85 percent

* Approximate. ** Including new fixtures, food outlets and store resets. † HPP = 7,982; UA = 527

Ohio Valley Exchange Region



MAP BY MARTY BAUMANN

Ohio to Launch Its Own Flyers

The Ohio Valley Exchange Region will launch a special shoppette flyer program in June that will promote up to 425 items available in the region's convenience stores.

Region Chief Aubrey Rembold said his office decided to create the program because the AAFES headquarters-prepared shoppette flyer program did not reflect the merchandise selection at Ohio Valley stores.

"AAFES messed it up — they didn't adjust [their flyers] to the stock assortment of all shoppettes," he told ALA attendees.

The flyers will be four-page tabloids and cover only seven-day sales events, Rembold said. His office plans to mail 46,000 copies of the flyers to regional servicemembers.

The Ohio Valley Exchange Region will test the flyer program for two to three months to find out if it is "necessary and worthwhile" to continue the program, said Ohio Valley region marketing chief Alan Grossman.

Vendors, It's OK to Talk to the Regions

Vendors who fail to sell their items to buyers at Army and Air Force Exchange Service headquarters in Dallas, Texas, should canvass regional buyers, according to Frank Oliverio, the Ohio Valley Region's director of purchasing.

"Vendors [who strike out at headquarters] should go out to the region, make a presentation and hope to make the sale there," he suggested.

In the past, headquarters buyers were discouraged from referring vendors to regional buyers. "You made the decision yes or no right there," Oliverio said.

However, "several conservative buyers" at AAFES headquarters would circumvent this rule in order to test how well an item would perform on the regional level before distributing it nationally.

Oliverio said now that AAFES has a better rapport with vendors, there is no need for them to limit contact to headquarters. However, he said some headquarters buyers are still reluctant to admit they have directed vendors to regional sources.

Aubrey Rembold, chief of the Ohio Valley region, said he welcomes increased vendor contact with regional buyers.

Rembold said that, "because item movement is so localized all too often," some products that are rejected at headquarters have a better chance of succeeding in individual regions.

Rembold Shows Off Ohio Region

The ALA Midwest meeting gave Ohio Valley Region Chief Aubrey Rembold a chance to brag about special projects and initiatives his region is working on:

■ *The Sportstore at Lowry AFB, Colo.* — Army Maj. Gen. John Long, commander of AAFES, wanted to experiment with a sports shop modelled after AAFES-Europe operations. The 7,500 square-foot store opened three years ago at a cost of $570,000 and is devoted to selling skiing and jogging equipment.

■ *Celebrity appearances* — Rembold said his region "has had more than anybody in the history of AAFES." Some of the stars who have appeared at Ohio Valley region exchanges are country singers like the Judds, Charlie Pride and Glenn Campbell; team members of the Denver Broncos, and Mr. T. Rembold said Ohio Valley exchanges hold celebrity visits in conjunction with music sales and special promotions.

■ *Computer Assisted Design* — Engineers at Ohio Valley headquarters use this software, which was developed by Epson Computer Co., to set up shelf displays and generate schematic diagrams. Rembold said the system has cut the drafting process, which used to take weeks, down to 15 minutes. CAD has been on-line only in the Ohio Valley region since April 1987.

AAFES May Expand Fine Jewelry Program

The Ohio Valley Exchange Region may open fine jewelry shops at Scott AFB, Ill. and Lowry AFB, Colo. by next year, OVER officials told ALA delegates.

The shops will be based on Wright-Patterson AFB's Impressions jewelry shop, but may have different names, floor layouts, and color schemes, said Ohio Valley region Deputy Chief Robert Winston.

The $113,000 Impressions shop, which opened last July, averages $165,000 in monthly sales. However, store manager Judy Roylance said the Impressions concept does not work for every base.

Wright-Patterson exchange officials earlier told MILITARY MARKET the shop was designed to attract the "generally affluent" Wright-Patterson customer.

"We don't think [Impressions] is for everyplace," said Roylance. "It's a classy shop, and we keep it dressy. There are standards of display."

Some extra amenities Impressions offers are complimentary gift wrapping, repairs, thank you cards and ring sizing and cleaning. Along with purchases, customers also receive suede jewelry cases or draw-string bags with the Impressions logo.

All jewelry in the shop falls within Congressional cost-price limits — about $985 to $1,000. The jewelry is purchased by gemologists at AAFES' distribution center in Atlanta.

Stock Assortment Of Package Stores May Realign

Exchange regions may have to realign the stock assortment of Army and Air Force wholesale liquor stores when the operations are turned over to AAFES.

"The jury is out on an official answer [to the Class VI transfer]," said Ohio Valley Region chief Aubrey Rembold. "When AAFES assumes responsibility of the operations and when rules are settled, we will then embark on bringing them in."

The House Armed Services Committee wants the Army and Air Force to turn liquor operations over to AAFES by Oct. 1, in time for the next fiscal year. The committee believes AAFES can run the stores more efficiently and streamline the procurement and warehouse facilities of the stores.

Rembold said some items sold by Class VI stores may be "assimilated" into existing exchange operations to ensure maximum sales, earnings and benefits to customers.

An example is wines, which are now sold in package beverage stores. Rembold said the products may end up being sold only in shoppettes, which already carry the items. Spirits will almost certainly remain in package beverage stores.

Rembold said there are 30 package beverage stores in the Ohio Valley Exchange Region, and his office has collected data on 24. Sales at the 24 stores combined average $24 million a month.

A Guide to AAFES Promotions

The Army and Air Force Exchange Service plans all upcoming promotions up to one year in advance and releases promotional information to exchanges in October. Alan Grossman, the Ohio Valley Region's chief of marketing, gave ALA delegates an outline of AAFES promotions:

- AAFES promotions are planned on a weekly basis. Fifteen weeks before a sale, AAFES' headquarters marketing directorate selects items to be included in a sales flyer promotion. Twelve weeks before the sale, stores can order the items. Sales flyers vary from four to eight pages.
- Though AAFES plans promotions a year in advance, the agency is not obligated to run the event as planned. Grossman said vendors can run out of an item or introduce new merchandise after a promotion is planned, so some items may be deleted or added.
- Besides a flyer program, AAFES also provides point-of-purchase signage, posters, banners, post and base newspaper insert program, and 15 direct mail events that are sent to active duty servicemembers, retirees, national guardsmen and reservists.

AAFES Announces Relaxed Fixtures Policy

AAFES has released a new fixtures policy that will give exchange personnel greater freedom over store decor, Ohio Valley Region officials announced at the Midwest Conference.

According to Region Chief Aubrey Rembold, the crux of the new fixtures policy "is that there is no policy." Regional headquarters and exchange personnel can now look at "their unique store" situation and decide what vendor and headquarters fixtures best suit their needs.

Manufacturers can also visit exchange managers and propose design ideas, he added.

The Army and Air Force Exchange Service is now compiling an updated vendor fixtures catalog list which should be available to exchange personnel by this summer.

Rembold said the agency is also toying around with the idea of automating the vendor list and sending it out on computer via AAFES' electronic mail system. The listing would be easier to compile and maintain if it was kept on a computer, he said.

Military Market index

COMMISSARIES

		FEBRUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$143,985	$145,498	–1.04	$301,477	$305,889	–1.44
	OVERSEAS	31,884	29,854	6.80	66,839	62,595	6.78
AIR FORCE	TOTAL	**175,869**	**175,352**	**0.29**	**368,315**	**368,484**	**–0.05**
	CONUS	105,630	102,165	3.39	217,350	214,515	1.32
	OVERSEAS	40,740	35,175	15.82	83,265	73,500	13.29
ARMY	TOTAL	**146,370**	**137,340**	**6.57**	**300,615**	**288,015**	**4.37**
	CONUS	60,119	58,027	3.61	119,918	116,262	3.14
	OVERSEAS	6,798	6,704	1.40	13,410	13,521	–0.82
NAVY	TOTAL	**66,917**	**64,731**	**3.38**	**133,328**	**129,783**	**2.73**
	CONUS	11,808	10,899	8.34	25,008	24,875	0.53
	OVERSEAS	268	248	8.06	552	525	5.14
MARINE CORPS	TOTAL	**12,076**	**11,148**	**8.32**	**25,560**	**25,401**	**0.63**
	CONUS	250	236	5.93	492	508	–3.15
	OVERSEAS	278	384	–27.60	596	696	–14.37
COAST GUARD	TOTAL	**527**	**621**	**–15.14**	**1,088**	**1,205**	**–9.71**
	CONUS	$321,792	$316,825	1.57	$664,245	$662,049	0.33
ALL COMMISSARIES	OVERSEAS	$79,968	$72,365	10.51	$164,662	$150,837	9.17
	TOTAL	**$401,760**	**$389,190**	**3.23**	**$828,907**	**$812,886**	**1.97**
GROCERY STORES	*U.S.*[1]	*$22.096*	*$21.449*	*3.02*	*$45.419*	*$45.108*	*0.69*

EXCHANGES

		FEBRUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$243,175	$195,652	24.29	$463,699	$418,525	10.79
	OVERSEAS	205,170	134,168	52.92	403,922	316,314	27.70
AAFES	TOTAL	**448,345**	**329,820**	**35.94**	**867,621**	**734,839**	**18.07**
	CONUS[2]	88,402	87,257	1.31	172,221	155,014	11.10
	OVERSEAS[2]	37,079	37,961	–2.32	77,195	68,394	12.87
NAVY	TOTAL[2]	**125,481**	**125,218**	**0.21**	**249,417**	**223,408**	**11.64**
	CONUS	31,375	30,386	3.25	50,273	49,404	1.76
	OVERSEAS	5,373	4,856	10.65	9,861	8,782	12.29
MARINE CORPS	TOTAL	**36,748**	**35,242**	**4.27**	**60,134**	**58,186**	**3.35**
	CONUS[3]	5,983	6,105	–2.00	11,220	11,449	–2.00
	OVERSEAS[3]	446	455	–1.98	8.36	8.53	–1.99
COAST GUARD	TOTAL[3]	**6,429**	**6,560**	**–2.00**	**12,056**	**12,302**	**–2.00**
	CONUS[4]	1,638	1,885	–13.10	2,877	3,237	–11.12
	OVERSEAS[4]	2,687	2,597	3.47	4,262	4,071	4.69
MAIL ORDER	TOTAL[4]	**4,324**	**4,482**	**–3.53**	**7,139**	**7,307**	**–2.30**
	CONUS	$370,573	$321,285	15.34	$700,290	$637,629	9.83
	OVERSEAS	$250,755	$180,037	39.28	$496,076	$398,414	24.51
ALL EXCHANGES	TOTAL	**$621,328**	**$501,322**	**23.94**	**$1,196,366**	**$1,036,043**	**15.47**
DEPARTMENT STORES	*U.S.*[1]	*$8.606*	*$8.125*	*5.92*	*$17.170*	*$16.002*	*7.30*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

7/21/88 C8910-1 A

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY JULY 1988 $10.00

Resale in the 21st Century

What awaits us in the next millennium

Annual Product Directory

Military Distributors List

Military Representatives List

Mid-Year Report from Resale Leaders

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AAFES

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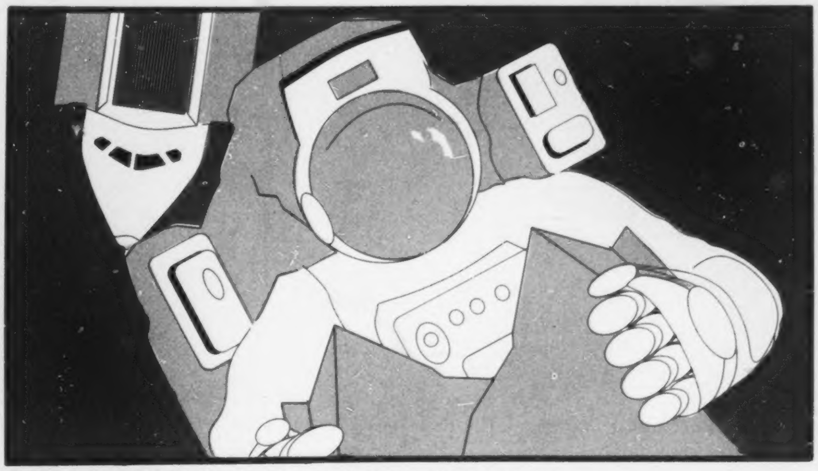

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COVER DESIGN & ILLUSTRATION BY PAUL JORDAN

Military Market
MAGAZINE

serving the military resale system

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news

A $20-million mistake may hurt TSA

We're still working on finding the money from elsewhere within the Army."

Because of a budgetary mishap, the Troop Support Agency may have lost $20 million out of a House appropriations request for fiscal 1989. If the $20 million isn't regained, TSA could be forced to close stores and reduce hours.

At MILITARY MARKET press time, however, the Army's Deputy Chief of Staff for Logistics office was attempting "to reprogram within the Department of Army," to find the money, according to a Pentagon official.

"We feel confident," the source said, "but we're still working on finding the money from elsewhere within the Army."

The money is needed, he explained, "to maintain the same level of service in 1989 as was provided in 1987."

The loss could "put Army back several years, in terms of funding and operations," said a House Armed Services Committee staff member.

When the budget was formulated within the Department of the Army, DCSLOG asked for fiscal 1989 funding at the fiscal 1987 level. But "we lost the battle and [a] $20 million cut [made by Army budget officials] was allowed to remain," the Pentagon official said.

Armed Services' Readiness subcommittee tried to replace the $20 million for TSA, but the Appropriations committee funded what was originally requested by Army.

"When the president's budget came over here [to Capitol Hill], the money was not there. We tried to add it back in, but Appropriations didn't want to increase the defense budget $20 million," the HASC source explained.

Air Force and Navy commissary budgets were not cut and held at the same level of appropriations.

DLA saw no savings in a CDC

The Defense Logistics Agency rejected the idea of a central distribution center in Europe because there was no "overriding economic benefit" that would result from setting up a stocked CDC in Europe, according to the summary of a DLA study obtained by MILITARY MARKET.

The purpose of the study was to "find ways to shorten the existing pipeline to commissary stores in Europe and identify more efficient and effective warehousing and distribution systems."

The Arthur Young Co. conducted the study between September 1985 and June 1986 as an outgrowth of a congressional staff study that found major deficiencies in overseas commissary supply. The study said there would be "significant savings if the DLA established a commissary distribution center system in Europe," instead of using the current system operated by the Defense Personnel Support Agency out of Mechanicsburg, Pa.

The study recommended that:

- ■ The DLA, through DPSC, should be the merchandiser agency and should assume a dominant role in the brand name selection process.
- ■ The range of line items carried in commissaries in Europe should be reduced and standardized.
- ■ Store back-up inventories should be reduced to just 14 days from an average of 115 days.
- ■ Backroom warehouse personnel at stores should be eliminated.
- ■ Stores would order one or more times a week, instead of monthly.

The Army's Lt. Gen. Vincent Russo, commander of the DLA, refused the proposals for two reasons: The DLA did not want to assume the merchandising and item selection role, and the projected annual savings were considered unrealistic, specifically the savings based on cutting backroom personnel.

In August 1987, using the Arthur Young study as a base, the DLA took another look at establishing a CDC in Europe. This time, however, the parameters of the analysis were different: The CDC would supply only Army commissaries, and the DLA would not assume the merchandising role.

Alternatives for an Army-only CDC were:

- ■ Building a new facility;
- ■ Renovating the DLA facility at Germersheim, West Germany;
- ■ Establishing a contractor-owned and contractor-operated facility; and
- ■ Establishing a contractor-owned and government-operated facility.

The current system and the contractor-owned and operated warehouse were the least costly, but Russo still decided against an Army-only CDC concept.

The solution to the European supply problem, according to the study summary, is to make improvements to the current system. This will shorten order-ship time to Europe, and "make the decision to maintain the current system the most advantageous alternative," the summary said.

The most significant change will be Army's reduction of requisition submission time from 30 to 7 days, and "eliminating the current 15-day delay in processing the second DICOMSS [Direct Commissary Support System] monthly requisition cycle."

The Army has begun this change in Europe and expects "full implementation by the end of 1989," said the summary.

PRODUCTIVITY: Navy commissaries vs. commercial supermarkets

	Navy	Commercial
Average sales (weekly)	$421,195	$292,638
Sales per employee (weekly)	$4,481	$3,906
Average store hours	49	114
Store sales (hourly)	$8,595	$2,567
Average square footage (selling)	22,905	31,657
Sales per square foot (weekly)	$18.39	$9.24
Number of line items	7,000	14,565

*SOURCE: NAVRESSO and Progressive Grocer Annual Report

Military Market index

COMMISSARIES

		MARCH			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$162,364	$155,932	4.12	$463,841	$461,821	0.44
	OVERSEAS	33,522	32,437	3.34	100,361	95,032	5.61
AIR FORCE	TOTAL	**195,887**	**188,369**	**3.99**	**564,202**	**556,853**	**1.32**
	CONUS	119,000	109,725	8.45	336,350	324,240	3.73
	OVERSEAS	45,780	38,325	19.45	129,045	111,825	15.40
ARMY	TOTAL	**164,780**	**148,050**	**11.30**	**465,395**	**436,065**	**6.73**
	CONUS	74,946	73,196	2.39	194,864	189,458	2.85
	OVERSEAS	8,339	7,941	5.01	21,749	21,462	1.34
NAVY	TOTAL	**83,285**	**81,138**	**2.65**	**216,614**	**210,921**	**2.70**
	CONUS	16,162	15,155	6.64	41,170	40,030	2.85
	OVERSEAS	340	255	33.33	892	780	14.36
MARINE CORPS	TOTAL	**16,501**	**15,410**	**7.08**	**42,061**	**40,811**	**3.06**
	CONUS	319	246	29.67	811	754	7.56
	OVERSEAS	271	273	–0.73	867	970	–10.62
COAST GUARD	TOTAL	**590**	**519**	**13.68**	**1,677**	**1,724**	**–2.73**
	CONUS	$372,791	$354,254	5.23	$1,037,036	1,016,303	2.04
ALL	OVERSEAS	$88,252	$79,231	11.39	$252,914	$230,069	9.93
COMMISSARIES	TOTAL	**$461,043**	**$433,485**	**6.36**	**$1,289,950**	**$1,246,372**	**3.50**
GROCERY STORES	*U.S.*[1]	*$25.426*	*$23.791*	*6.87*	*$72.995*	*$70.042*	*4.22*

EXCHANGES

		MARCH			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$269,248	$257,332	4.63	$732,946	$675,858	8.45
	OVERSEAS	216,287	192,775	12.20	620,209	509,089	21.83
AAFES	TOTAL	**485,534**	**450,108**	**7.87**	**1,353,156**	**1,184,947**	**14.20**
	CONUS[2]	112,103	89,602	25.11	284,324	244,616	16.23
	OVERSEAS[2]	47,434	39,918	18.83	124,629	108,312	15.06
NAVY	TOTAL[2]	**159,536**	**129,520**	**23.17**	**408,953**	**352,928**	**15.87**
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	CONUS	31,274	29,467	6.13	81,547	78,870	3.39
	OVERSEAS	5,099	4,781	6.65	14,960	13,563	10.30
MARINE CORPS	TOTAL	**36,373**	**34,248**	**6.20**	**96,507**	**92,434**	**4.41**
	CONUS[3]	6,434	6,565	–2.00	17,654	18,014	–2.00
	OVERSEAS[3]	479	489	–2.04	1,315	1,342	–2.01
COAST GUARD	TOTAL[3]	**6,913**	**7,054**	**–2.00**	**18,969**	**19,356**	**–2.00**
	CONUS[4]	1,385	1,462	–5.27	4,262	4,698	–9.28
	OVERSEAS[4]	2,003	2,220	–9.77	6,266	6,291	–0.40
MAIL ORDER	TOTAL[4]	**3,388**	**3,683**	**–8.01**	**10,528**	**10,990**	**–4.20**
	CONUS	$420,444	$384,428	9.37	$1,120,733	$1,022,056	9.65
	OVERSEAS	$271,302	$240,183	12.96	$767,379	$638,597	20.17
ALL EXCHANGES	TOTAL	**$691,746**	**$624,611**	**10.75**	**$1,888,112**	**$1,660,653**	**13.70**
DEPARTMENT STORES	*U.S.*[1]	*$11.527*	*$10.501*	*9.77*	*$28.991*	*$27.176*	*6.68*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

HOLIDAY PREVIEW: RETRO-LOOK WATCHES; MEN'S FRAGRANCES
A COAST GUARD RESALE UPDATE: WHAT'S IN A NEW NAME?

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New Orleans Fanfare

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CHRISTMAS '88 PREVIEW

Retro Look Turns Back the Clocks

"I hesitate to call retro watches a technical look. It's more an old-fashioned technical look."

Watch manufacturers are shying away from the high-tech and instead are rolling back the clock to the "good old days."

Instead of making futuristic timepieces that can calculate foreign exchange rates and tell the wearer what time it is in Moscow, watch makers are now turning to the vintage "retro look."

"A major feature [among] today's watchmakers is to rediscover the watch's past," said Joseph Thompson, editor-in-chief of *Modern Jeweler*. "The retro-look watches are re-creations of watches from the 1920s and '30s." The trend, Thompson said, has been growing for a couple of years.

What makes the retro look so distinctive? Besides hour and minute hands, vintage reproduction watches can sport three to four sub-dials that indicate the day of the week and month. Other dead-giveaway features are Roman numerals, flat or square watchcases, and moon-phase dials.

"I hesitate to call retro watches a technical look," Thompson told MILITARY MARKET. "It's more an old-fashioned technical look."

Though the watches have become a fashion trend in the 80's, Thompson said timepieces with multiple dials and moon-faces had a practical purpose in the past. Farmers used them to time the beginning of crop planting and harvesting, which were aligned with the phases of the moon.

Not to Tell Time, But to Show Style

Today, the original purposes are all but forgotten. Most people buy imitations of antique watches because of nostalgia and the fact they are impressed with the timepieces' craftmanship.

Bernard Dwortzan, Pulsar Time Corp.'s general manager for special markets, said the company "is now concentrating on the retro look." Beginning this summer, Pulsar is offering the "Galileo Collection," a series of 32 men's and women's retro-look watches. The timepieces feature moon phase dials and sub-dials that indicate the month and day.

Dwortzan said the Army and Air Force Exchange Service has already ordered a limited number of Pulsar's retro-look watches, which retail between $125 and $150 in civilian stores.

"AAFES has ordered a couple, [though] they don't have them all," he said. "If anyone wants these watches, they can special order them through our catalog."

In January, Timex Corp. introduced the "Timex Carriage" series, which includes "about a dozen or so styles that would qualify as retro," said Hal Wylie, manager of product planning and sales development.

The collection, which has watches that retail between $34 and $54 in civilian stores, includes watches with square cases, Roman numbers, moon-phase dials and sub-dials for seconds.

Military Not Quite Impressed by Retro Look

Before exchanges rush to stock their shelves with vintage-look watchware in time for the holiday season, they should realize that the style may not appeal to all servicemembers. "They buy certain models more than others — those with 24-hour dials, more sportswatches and more rugged, technical pieces," said Bernard Dwortzan of Pulsar.

"But on the other hand," he said after thinking a moment, "they do buy dress watches."

AAFES has carried retro-look watches for about one year. Although the agency now carries vintage reproductions by Bulova, Seiko, Pulsar and Hamilton Watch Co., the retro look never really caught on in AAFES after a special promotion last Christmas.

"That look peaked during Christmas season 1987," said Capt. Steve Roehr, an agency spokesman. "We had a one-time buy with Gruen that went very well. Ever since then, the retro look has been on a downhill slide."

Roehr said one reason the retro-look is fading in AAFES is because vintage watches are more popular among the affluent. "Most middle class people don't mess with the look," he told MILITARY MARKET.

Also, AAFES exchanges sometimes have limited display space, so they can't carry a wide assortment of vintage styles, said a buyer at AAFES headquarters who did not want to be quoted by name.

There are indications that vintage chronographs may be doing better in Navy exchanges than in AAFES. Gruen is the principal retro-look brand sold in Navy stores. The company is also known for its Curvex model, which is curved to fit the wrist.

Officials at the Navy Resale and Services Support Office predict that retro watches, which retail between $38.99 and $119 in Navy exchanges, should sell well during the agency's Fall and Christmas promotions.

Vintage-look watches were previously featured in NAVRESSO' Mother's Day, 213th Anniversary, and Christmas 1987 circulars.

Watch Sales Slow in '87

According to the latest statistics available from MRCA Information Services, watch sales dropped approximately 6.6 percent between 1986 and 1984:

1987

Women's/girls' watches — 27.8 million
Men's/boys' watches — 18.7 million
Total — 46.5 million

1986

Women's/girls' watches — 29.3 million
Men's/boys' watches — 20.5 million
Total — 49.8 million

Military Market index

COMMISSARIES

		APRIL			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$171,506	$162,838	5.32	$635,347	$624,659	1.71
	OVERSEAS	43,021	34,135	26.03	143,382	129,167	11.01
AIR FORCE	TOTAL	**214,527**	**196,973**	**8.91**	**778,729**	**753,826**	**3.30**
	CONUS	116,760	113,295	3.06	453,110	437,535	3.56
	OVERSEAS	45,990	38,640	19.02	175,035	150,465	16.33
ARMY	TOTAL	**162,750**	**151,935**	**7.12**	**628,145**	**588,000**	**6.83**
	CONUS	60,409	58,669	2.97	255,274	248,127	2.88
	OVERSEAS	7,120	6,566	8.44	28,870	28,028	3.00
NAVY	TOTAL	**67,530**	**65,235**	**3.52**	**284,143**	**276,156**	**2.89**
	CONUS	14,382	13,432	7.07	55,552	53,462	3.91
	OVERSEAS	324	273	18.68	1,216	1,053	15.48
MARINE CORPS	TOTAL	**14,707**	**13,705**	**7.31**	**56,768**	**54,515**	**4.13**
	CONUS	248	254	-2.36	1,059	1,008	5.06
	OVERSEAS	252	327	-22.94	1,119	1,297	-13.72
COAST GUARD	TOTAL	**501**	**581**	**-13.77**	**2,178**	**2,305**	**-5.51**
	CONUS	$363,305	$348,488	4.25	$1,400,342	$1,364,791	2.60
ALL COMMISSARIES	OVERSEAS	$96,707	$79,941	20.97	$349,622	$310,010	12.78
	TOTAL	**$460,012**	**$428,429**	**7.37**	**$1,749,964**	**$1,674,801**	**4.49**
GROCERY STORES	*U.S.*[1]	*$25.373*	*$24.226*	*4.73*	*$98.372*	*$94.268*	*4.35*

EXCHANGES

		APRIL			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$287,449	$278,482	3.22	$1,020,395	954,339	6.92
	OVERSEAS	232,859	213,747	8.94	853,068	722,836	18.02
AAFES	TOTAL	**520,306**	**492,228**	**5.70**	**1,873,462**	**1,677,175**	**11.70**
	CONUS[2]	95,870	98,538	-2.71	360,194	343,154	10.79
	OVERSEAS[2]	41,976	42,586	-1.43	166,605	150,898	10.41
NAVY	TOTAL[2]	**137,836**	**141,124**	**-2.33**	**546,789**	**494,052**	**10.67**
	CONUS	31,529	30,926	1.95	113,076	109,796	2.99
	OVERSEAS	5,353	4,991	7.25	20,313	18,554	.948
MARINE CORPS	TOTAL	**36,883**	**35,917**	**2.69**	**133,390**	**128,350**	**3.93**
	CONUS[3]	6,787	6,926	-2.01	24,441	24,940	-2.00
	OVERSEAS[3]	506	516	-1.94	1,821	1,858	-1.99
COAST GUARD	TOTAL[3]	**7,293**	**7,442**	**-2.00**	**26,262**	**26,798**	**-2.00**
	CONUS[4]	1,276	1,428	-10.64	5,538	6,127	-9.61
	OVERSEAS[4]	1,938	2,170	-10.69	8,204	8,461	-3.04
MAIL ORDER	TOTAL[4]	**3,215**	**3,598**	**-10.64**	**13,742**	**14,588**	**-5.80**
	CONUS	$422,911	$416,300	1.59	$1,543,644	$1,438,356	7.32
	OVERSEAS	$282,632	$264,010	7.05	$1,050,011	$902,607	16.33
ALL EXCHANGES	TOTAL	**$705,543**	**$680,310**	**3.71**	**$2,593,655**	**$2,340,963**	**10.79**
DEPARTMENT STORES	*U.S.*[1]	*$11.588*	*$11.364*	*1.97*	*$40.572*	*$38.540*	*5.27*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

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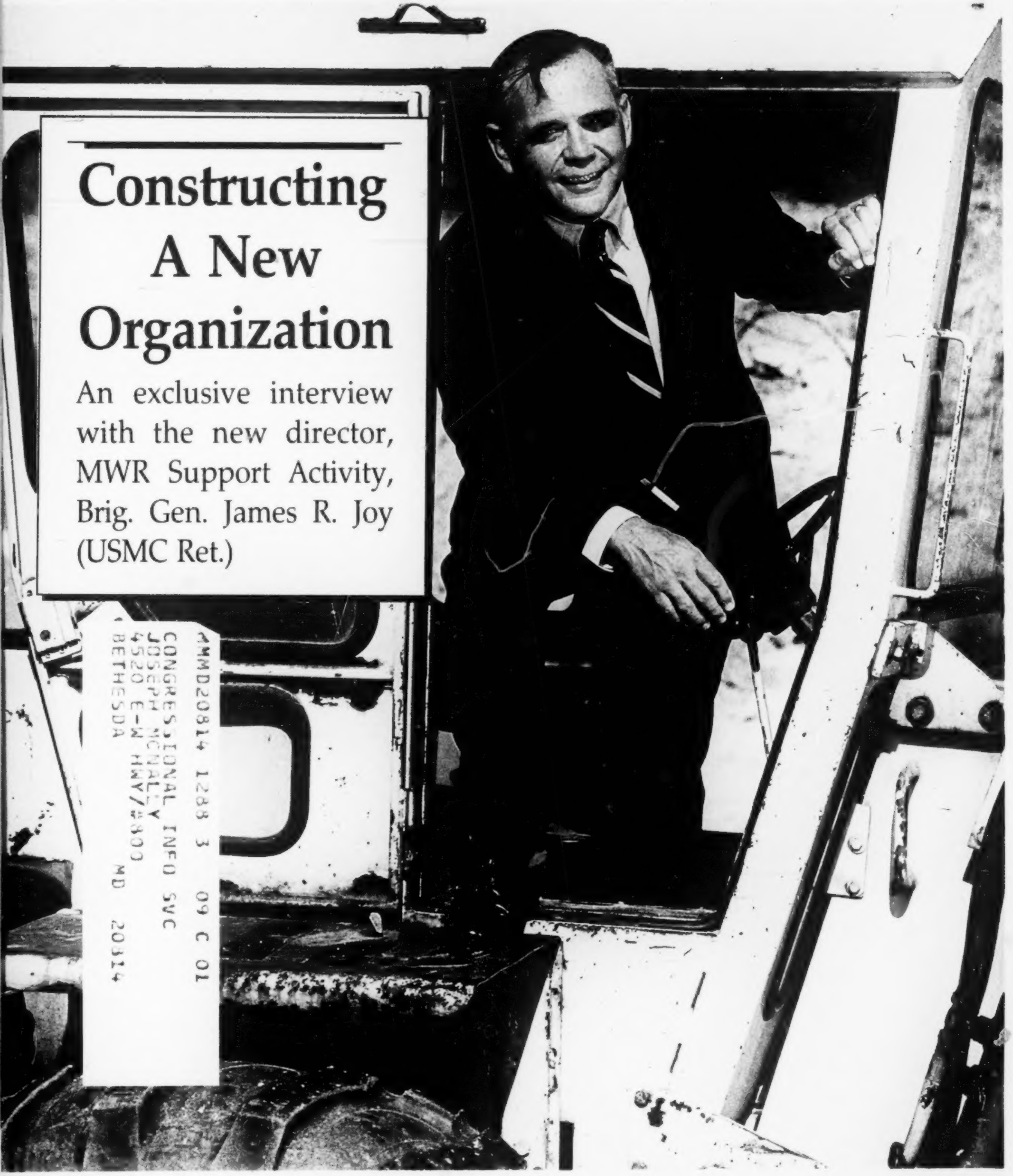
5th ANNUAL MILITARY DISTRIBUTION REPORT — FREQUENT DELIVERY SPEEDS UP

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY SEPTEMBER 1988 $4.00



Constructing A New Organization

An exclusive interview with the new director, MWR Support Activity, Brig. Gen. James R. Joy (USMC Ret.)

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPH BY GEOFFREY BAKER

Military Market
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serving the military resale system

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MILITARY MARKET MAGAZINE

news

6 – Milbrands contracts with Powerforce for stocking.

8 – Armed services members lament cost of military living in the Pacific.

AAFES credit card approval for lower ranks "not encouraging"

A little over 18 percent of enlisted personnel ranked E-1 to E-4 who applied for the AAFES-sponsored Visa or MasterCard between March and July actually ended up acquiring the credit card.

The Armed Services Community credit card program — jointly launched on March 18 by the Army and Air Force Exchange Service and Lomas Bank USA — has approved an undisclosed total number of accounts for military servicemembers.

But MILITARY MARKET has learned that, of the total number of accounts approved, only 3,420 were granted to servicemembers with the rank of E-1 to E-4.

Ken Scott, Lomas's senior vice president of marketing, declined for competitive reasons to disclose the total number of accounts the bank has approved to date.

"Although the results of the lower grades [approval] have not been encouraging, the program as a whole has met expectations and is showing a promising future," Scott told MILITARY MARKET.

To qualify for the card, active duty military personnel must have a monthly household gross income of $1,375 if living off base, or $925 if living in government quarters, according to the bank's application. All other applicants must have a monthly household gross income of $1,375.

The main objective of the program was to help servicemembers establish a credit line, even if they are stationed overseas, said Army Capt. Nick Roehr, an AAFES spokesman.

Often, military personnel have a tough time starting a credit line because they move often. The bank's application form notes that the cards have worldwide purchase and cash advance capabilities.

Despite the effort to grant credit cards to military personnel — especially young enlisteds, who often

See CREDIT, page 14.

Affinity Cards' Enlisted Approval/Rejection Rates

			APPROVALS					
	Applications	**Rejections**	**TOTAL**		**Starter**		**Regular**	
E-1	204	203	1	0.5% of all applications	1	0.5% of all applications	0	0.0% of all applications
E-2	1,148	1,065	83	7.2% of all applications	75	6.5% of all applications	8	0.7% of all applications
E-3	5,004	4,011	993	19.8% of all applications	885	17.7% of all applications	108	2.2% of all applications
E-4	12,269	9,926	2,343	19.1% of all applications	1,891	15.4% of all applications	452	3.7% of all applications
Total	18,625	15,205	3,420	18.4% of all applications	2,852	15.3% of all applications	568	3.0% of all applications

SOURCE: ARMY & AIR FORCE EXCHANGE SERVICE

AFCOMS may employ rackjobbers

The Air Force Commissary Service is "studying the possibility" of using rackjobbers to stock its commissaries, Col. Ronald Leach, director of operations, told MILITARY MARKET.

Leach said that, while it is a "pretty common practice" in civilian retail, a factor AFCOMS must consider is price.

AFCOMS will make a decision on whether to experiment with rackjobbers in two or three months, Leach said. "If we elect to adopt that concept, we will only do it in one or two stores, and it will only be a test."

Roy Takemoto, deputy to the commander of AFCOMS' Southwest Region, said his region is being considered for the test. Officials there have been looking into rackjobbers who service the area — primarily ones in the health and beauty aids category.

"We've been given the authority to look into it," Takemoto said. "We're getting basic information as to what they have to offer and how it would work. We've had informal discussions, but we're not signing any contracts."

The companies they've talked to include Rasson Drug and Sundry Co. and Fleming Foods, both in Phoenix, Ariz.; Super Valu's Albuquerque, N.M. facility, and A.M. Lewis, which is based in Riverside, Calif.

Takemoto said AFCOMS is not sure how far it would want to go and added that he did not know which stores would participate in a test.

A CORRECTION:

"It's General Mills . . . Please"

We accidentally mis-identified a well-known resale executive in the July issue of MILITARY MARKET (news section, page eight). For the record: It's General Mills' Bill Kastor (who's retiring) and in the photograph talking with ALA President Richard Scott.

letters to the editor

End of MARC Systems: "Based Solely Upon Lack of Participation"

It is with deep regret that we must announce the close of MARC Systems Virginia and North Carolina operations on July 22, 1988.

This decision was based solely upon the lack of participation from this industry, which created grave concerns for accepting additional financial investment for future phases of our program.

The unfortunate result at the conclusion of our program is that our customers will regain their illegal status along with the rest of this industry, unless other solutions are identified and utilized immediately. My concern is that our program and its publicity has only further emphasized the existing dilemma, which increases the risk to each company.

We regret the inability to continue operations for our customers who were enjoying the benefits of our service, and in many cases, major increases in sales volume for the period. We made every effort to satisfy their requirements through our program.

Our program has identified and documented the reality of "employees," known as independent vendor stockers. It is a dilemma in need of immediate attention.

Though we provided the opportunity for successful programs in 16 military commissaries, there still remained tremendous resistance and interference from many sales representatives, commissaries' personnel and independent contract stockers. There were also several customer representatives and commissary employees to which we are grateful for their sincere support and encouragement.

I was personally touched by the responses of our merchandising supervisors in announcing the close of operations. I would expect concerns at their loss of employment. Instead, the responses were of surprise when they believed they had done a good job and that it *was* working — and then of sorrow for all of the effort put forth by our MARC Systems team. Their level of committment and dedication has been tremendous. Some employees, who were former independent vendor stockers, have stated that they will not return to that former position after they have enjoyed the benefits associated with us as an employer.

John Merana and I wish to express our sincere appreciation for your support of MARC Systems and our association with you during our program. We wish you much continued success in the future.

Terri K. McCann
Vice President, MARC Systems

Please address your letters and comments to Nancy Tucker, Editor, MILITARY MARKET, *6883 Commercial Dr., Springfield, VA 22159-0210. Names are always withheld on request, but we must have your name, address and telephone number to confirm the authenticity of your letter.*

CREDIT from page 4.

have no credit history — data obtained by MILITARY MARKET shows that not many enlisted servicemembers passed Lomas's creditworthiness tests.

By the end of July, out of 18,625 applications from enlisted members ranked E-1 to E-4, Lomas approved only 3,420, or 18.3 percent. Of these, 2,852 are "starter credits" — accounts given to people without a credit history — with limits from $300 to $500.

Another 568 applicants received "regular credits" — accounts for those people with a previous credit background. Credit limits for regular accounts vary and are determined based on the financial qualifications of each applicant.

Far more starter credit accounts were approved than regular ones, which indicates that the armed services credit card program may be meeting AAFES and congressional objectives of assisting military personnel in establishing credit. It also gives strength to the argument that such a card is a good way for lower-graded personnel to establish credit histories.

Although the number of approved starter credits does not seem high, it accounts for 15.3 percent of the total credit cards requested by E-1s to E-4s. Regular accounts opened for E-1s to E-4s total only 3 percent. *[See chart on page 4.]*

In general, the higher the grade of the applicant, the more likely they were to get approval for a card.

"There is a much higher [bank] decline rate early in the program," said Scott. The novelty of an all-service credit card program attracts a lot of people who are in debt and people in poor financial positions, he added, so there is a "higher percentage of decline in the beginning."

It was not possible to compare the approval rates of the Armed Services credit card program with civilian credit card programs, because there is no single source of national approval or rejection data. Approval rates are set by local banks which offer Visa or MasterCards, and banks regard this data as proprietary information.

Visa and MasterCard executives told MILITARY MARKET that banks require a minimum gross annual income to qualify for either card. This varies between $12,000 and $18,000, depending on the bank.

Besides Lomas Bank, other credit card issuers target the military with their advertising. For instance, First Interstate Bancard Co. offers Visa and MasterCards with military designs.

But it is believed that the Lomas-AAFES card program is the only card offered jointly by a military organization and a card issuer.

NOTICE TO OUR READERS

While we enjoy receiving letters, the writers of anonymous ones undoubtedly are frustrated when we don't publish them. Our policy requires that all published letters include a name, address and telephone number. This information can be withheld from publication — we may telephone you to confirm the information in the letter.

We often withhold names from publication and will continue to do so. We don't divulge the names of the writers of name-deleted letters — to anyone. Ever.

What happens to a letter which arrives unsigned? It gets read. But no matter how good it is, and no matter how much we'd like to publish it, "not used" is written across the top, and it's consigned to a file.

We welcome your letters and comments and hope you'll continue to send them. With name, address and phone number, of course!

Military Market index

COMMISSARIES

		MAY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$152,727	$162,277	–5.88	$788.074	$786,936	0.14
	OVERSEAS	38,744	35,886	7.96	182,126	165,053	10.34
AIR FORCE	TOTAL	**191,471**	**198,163**	**–3.38**	**970,200**	**951,989**	**1.91**
	CONUS	110,670	117,915	–6.14	563,780	555,450	1.50
	OVERSEAS	40,320	43,890	–8.13	215,355	194,355	10.80
ARMY	TOTAL	**150,990**	**161,805**	**–6.68**	**779,135**	**749,805**	**3.91**
	CONUS	60,467	60,099	0.61	315,741	308,226	2.44
	OVERSEAS	7,062	6,617	6.73	35,932	34,645	3.71
NAVY	TOTAL	**67,529**	**66,716**	**1.22**	**351,673**	**342,872**	**2.57**
	CONUS	12,984	14,335	–9.42	68,536	67,797	1.09
	OVERSEAS	380	304	25.00	1,596	1,357	17.61
MARINE CORPS	TOTAL	**13,364**	**14,639**	**–8.71**	**70,132**	**69,154**	**1.41**
	CONUS	260	232	–12.07	1,319	1,240	6.37
	OVERSEAS	351	324	–8.33	1,470	1,621	–9.32
COAST GUARD	TOTAL	**611**	**556**	**–9.89**	**2,789**	**2,861**	**–2.52**
	CONUS	$337,108	$354,858	–5.00	$1,737,450	$1,719,649	1.04
ALL	OVERSEAS	$86,857	$87,021	–0.19	$436,479	$397,031	9.94
COMMISSARIES	TOTAL	**$423,965**	**$441,879**	**–4.05**	**$2,173,929**	**$2,116,680**	**2.70**
GROCERY STORES	*U.S.*[1]	*$25.620*	*$25.597*	*0.09*	*$123.827*	*$119.865*	*3.31*

EXCHANGES

		MAY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$285,943	$276,197	3.53	$1,306,338	1,230,536	6.16
	OVERSEAS	235,120	205,800	14.25	1,088,188	928,636	17.18
AAFES	TOTAL	**521,063**	**481,997**	**8.11**	**2,394,525**	**2,159,172**	**10.90**
	CONUS[2]	103,396	98,798	–4.65	483,589	441,952	9.42
	OVERSEAS[2]	45,695	42,228	–8.21	212,299	193,126	9.93
NAVY	TOTAL[2]	**149,090**	**141,026**	**–5.72**	**695,880**	**635,078**	**9.57**
	CONUS	31,054	30,603	1.47	144,130	140,399	2.66
	OVERSEAS	5,618	5,428	3.50	25,931	23,982	8.13
MARINE CORPS	TOTAL	**36,671**	**36,031**	**1.78**	**170,061**	**164,382**	**3.45**
	CONUS[3]	7,105	7,250	–2.00	31,546	32,190	–2.00
	OVERSEAS[3]	529	540	–2.04	2,350	2,398	–2.00
COAST GUARD	TOTAL[3]	**7,634**	**7,790**	**–2.00**	**33,896**	**34,588**	**–2.00**
	CONUS[4]	1,221	1,297	–5.86	6,759	7,424	–8.96
	OVERSEAS[4]	1,892	2,147	–11.88	10,097	10,608	–4.82
MAIL ORDER	TOTAL[4]	**3,113**	**3,444**	**–9.61**	**16,856**	**18,032**	**–6.52**
	CONUS	$428,719	$414,145	3.52	$1,972,362	$1,852,501	6.47
	OVERSEAS	$288,854	$256,143	12.77	$1,338,865	$1,158,750	15.54
ALL EXCHANGES	TOTAL	**$717,573**	**$670,288**	**7.05**	**$3,311,227**	**$3,011,251**	**9.96**
DEPARTMENT STORES	*U.S.*[1]	*$12.277*	*$12.147*	*1.07*	*$52.854*	*$50.687*	*4.28*

[1] SOURCE U.S. Department of Commerce. [2] Does not include sales of ship stores. [3] MM estimate, based on official data. [4] Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, exchange sales include concession volume.

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SPECIAL PULL-OUT: THE 1989 PROMOTIONS CALENDAR

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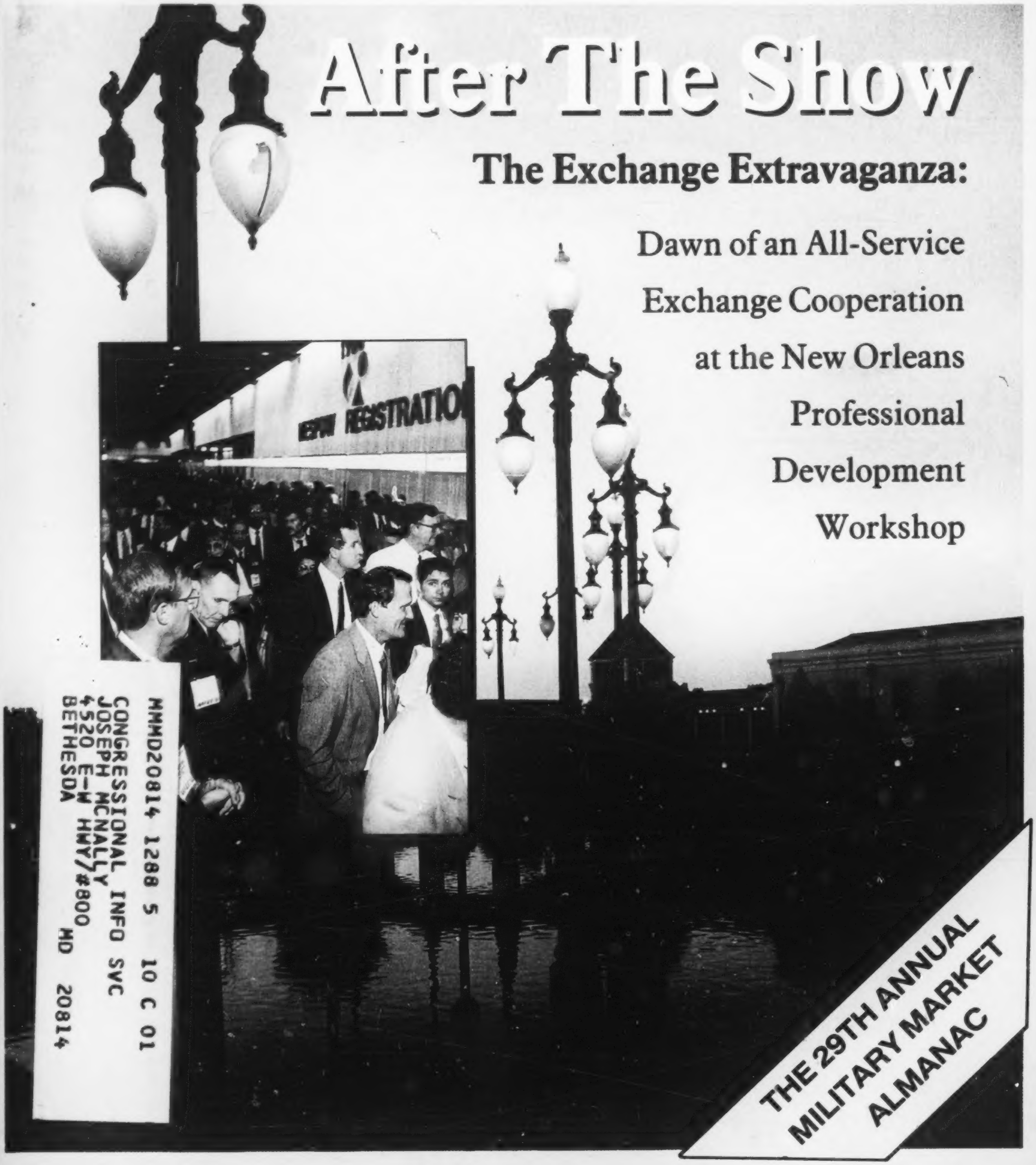
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1988 $4.00

After The Show

The Exchange Extravaganza:

Dawn of an All-Service Exchange Cooperation at the New Orleans Professional Development Workshop



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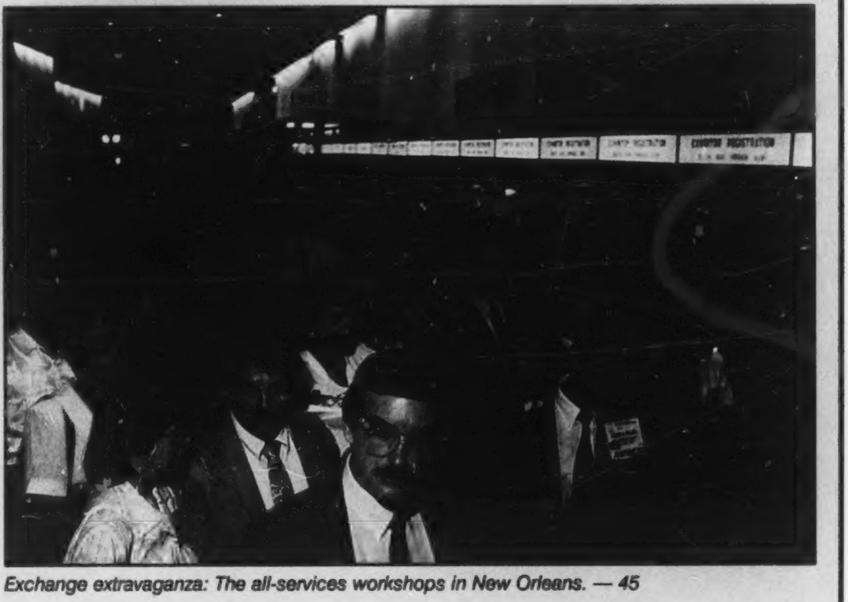

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AAFES is getting ready for some new ventures

Testing new ventures is nothing new for the Army and Air Force Exchange Service. In fact, AAFES experiments with risky business deals every year — and this year is no exception.

Here are some projects AAFES plans to undertake, according to announcements made during the Military Exchange Services Professional Development Workshop:

■ **Optometrist concession** — This center, at Robinson Barracks, West Germany, would provide a much needed service there.

Eye exams for glasses and contact lenses as well as fitting will be provided. Eyeglasses would have to be purchased at optical shops in exchanges, however.

Although the bidding process has not started, the center is scheduled to open in January 1989, said Maj. James Heaberg, AAFES spokesman.

A pilot eye care center is currently operating at Ft. Lewis, Wash. "It is rated high for service and moderately successful, from a business standpoint," Heaberg said. But the purpose of these centers is to provide the service, not to gain profits, he added.

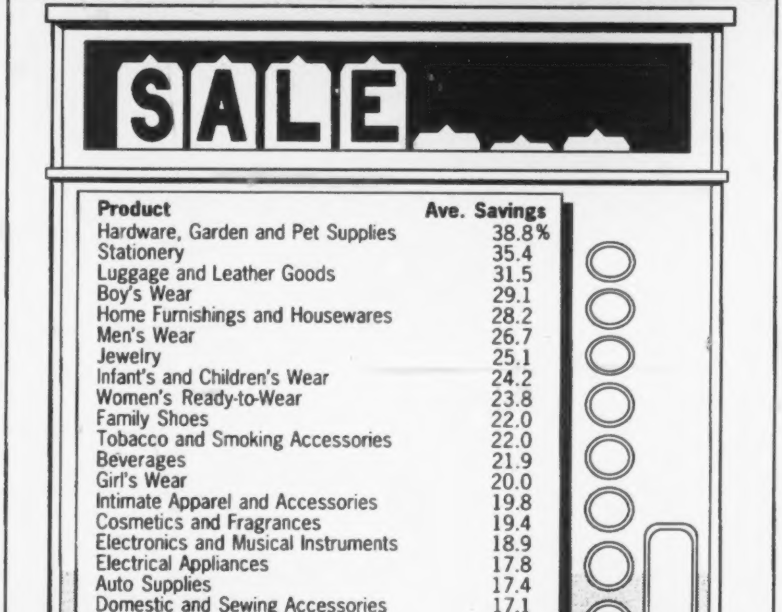
■ **Vendor fixture catalog** — The catalog has been revised to guarantee improved presentation, increased service and effective display image.

The new catalog, which should be available in all stores, is easier to read and has numerous illustrations. It is also alphabetically filed by applicable department number and offers the basic information to order each item.

■ **Call America program** — AAFES is considering establishing a program that would offer discounted overseas calls for military personnel and their families. Several long distance carriers will be contacted for the joint venture. No further information on the program was available at press time.

■ **Income tax preparation** — Currently, AAFES is coordinating a program to solicit this service from headquarters to be ready for next year's tax season.

Best buys in Navy exchanges



Product	Ave. Savings
Hardware, Garden and Pet Supplies	38.8%
Stationery	35.4
Luggage and Leather Goods	31.5
Boy's Wear	29.1
Home Furnishings and Housewares	28.2
Men's Wear	26.7
Jewelry	25.1
Infant's and Children's Wear	24.2
Women's Ready-to-Wear	23.8
Family Shoes	22.0
Tobacco and Smoking Accessories	22.0
Beverages	21.9
Girl's Wear	20.0
Intimate Apparel and Accessories	19.8
Cosmetics and Fragrances	19.4
Electronics and Musical Instruments	18.9
Electrical Appliances	17.8
Auto Supplies	17.4
Domestic and Sewing Accessories	17.1
Toys and Wheel Goods	15.6
Candy and Confections	14.5
Books, Periodicals and Greeting Cards	14.4
Sporting Goods	12.3
Cameras and Photographic Accessories	11.0
Household Supplies	8.5
Convenience Food Products	7.9
Toiletries and Drugs	7.5

Source: Erhart-Babic, market researchers

Steven Turtil

ATPCO

Savings look good at exchanges

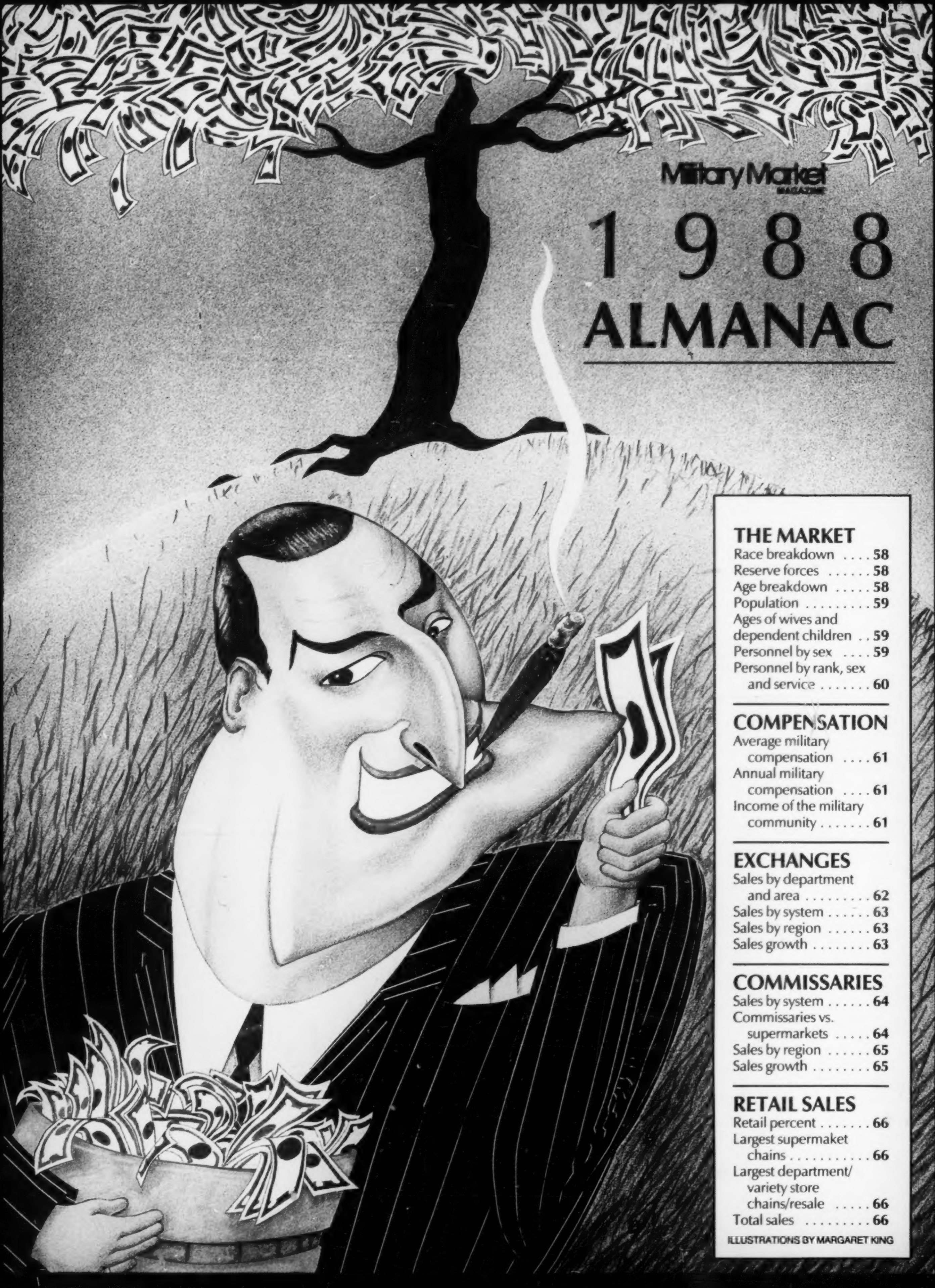
Independent surveys show customers save an average of 21.2 percent when they shop at Navy exchanges, and 24.9 in Army and Air Force exchanges.

The overall Navy results show slightly higher savings for customers than the 21 percent reported in 1987. John Russas, a Navy Resale Services and Support Office spokesman, said Navy exchanges have never failed to meet their goal of 20-percent average savings. In some years, the rate has climbed to 23 percent. On occasion, individual exchanges fall below 20 percent, he said.

Erhart-Babic, a market research firm headquartered in Englewood Cliffs, N.J., conducted the survey in June by comparing the prices of 300 items sold in Navy exchanges with prices at nearby commercial retail stores, such as J.C. Penney, Sears, Dart Drug, K mart and People's Drug stores.

According to the 1988 A.C. Nielsen price comparison survey conducted at 17 Army and Air Force installations, the price comparison survey showed that, 93 percent of the time, AAFES prices were lower than commercial stores.

A total of 317 items were surveyed, through five test purchases of each product at every location. The survey compared regular-priced items, including items on promotion, with AAFES' regular price merchandise.



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MAGAZINE

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ILLUSTRATIONS BY MARGARET KING

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THE MARKET

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

CAUCASIAN
1,577,385

72.4%

BLACK
427,112

19.6%

HISPANIC
87,023

4.0%

OTHER
87,625

4.0%

As of August 8, 1988 — Research Department, Army Times Publishing Co.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Years of age	Men	Women	All
UNDER 21	18.17%	16.82%	18.03%
21–25 YEARS	34.20%	38.19%	34.61%
26–29 YEARS	17.80%	21.36%	18.17%
30–34 YEARS	14.76%	15.91%	14.88%
35–39 YEARS	11.11%	6.82%	10.66%
40 AND OVER	3.96%	0.90%	3.65%

As of March 31, 1988

Does Not Include Coast Guard.
Source: DoD Directorate Information Operations & Reports (DIOR).

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD

Officers	45,040
Enlisted	403,981
Total	**449,021**

ARMY RESERVE

Officers	59,680
Enlisted	255,449
Total	**315,129**

NAVAL RESERVE

Officers	27,210
Enlisted	121,885
Total	**149,095**

MARINE CORPS RESERVE

Officers	3,581
Enlisted	38,489
Total	**42,070**

AIR NATIONAL GUARD

Officers	13,856
Enlisted	100,219
Total	**114,075**

AIR FORCE RESERVE

Officers	16,565
Enlisted	63,980
Total	**80,545**

DoD RESERVES (Total)

Officers	165,932
Enlisted	984,003
Total	**1,149,935**

COAST GUARD RESERVE*

Officers	1,602
Enlisted	10,951
Total	**12,553**

TOTAL (All Services)

Officers	167,534
Enlisted	994,954
Total	**1,162,488**

As of March 31, 1988.

*The Coast Guard is part of the Department of Transportation.
Source: Defense Manpower Data Center.

POPULATION OF THE MILITARY COMMUNITY*

Active Duty	**Number**	**Percent**
Active Duty Males	1,953,499	15.7%
Active Duty Females	225,646	1.8%
Total Active Duty Personnel	2,179,145	17.5%
Spouses of Active Duty Military	1,173,376	9.5%
Children of Active Duty Military	1,654,087	13.3%
Other Dependents of Active Duty	70,271	0.6%
Total Active Duty Community	**5,076,879**	**40.9%**
Retirees		
Retired Military**	1,534,919	12.4%
Spouses of Retired Military	1,267,971	10.2%
Children of Retired Military	1,747,120	14.1%
Total Retired Military Community	**4,550,010**	**36.7%**
Reservists		
Reservists in Paid Status		
Males	1,027,503	8.3%
Females	134,985	1.1%
Total	1,162,488	9.4%
Spouses of Reservists	735,855	5.9%
Children of Reservists	883,026	7.1%
Total Paid Status Reservists Community	**2,781,369**	**22.4%**
Total Military Community	**12,405,258**	**100.0%**

*Includes U.S. Coast Guard in Active Duty, Reserves and Retired.

**Includes 129,000 families receiving survivors benefits.

Source: Directorate for Information Operations and Reports, Department of Defense.

As of March 31, 1988 — Research Department, Army Times Publishing Co.

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

Age Group	Number	Percent
UNDER 5 YEARS	460,700	28.0
5–9 YEARS	646,700	39.0
10–14 YEARS	339,900	20.5
15–17 YEARS	134,000	8.1
18–20 YEARS	72,800	4.4
Total Dependent Children	**1,654,100**	**100.0**

Source: DoD and DoD/Rand Surveys.

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	Total Active Duty	Percent Male	Percent Female
CY1987	2,211,871	89.8%	10.2%
CY1986	2,205,497	89.8%	10.2%
CY1985	2,190,016	90.2%	9.8%
CY1984	2,176,628	90.6%	9.4%
CY1983	2,123,349	90.7%	9.3%
CY1982	2,108,612	91.0%	9.0%

As of September 30th for each year listed.

Source: DoD and Department of Transportation.

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Age Group	Number	Percent
UNDER 20 YEARS	118,500	10.1
20–24 YEARS	418,900	35.7
25–29 YEARS	257,000	21.9
30–34 YEARS	217,100	18.5
35–39 YEARS	115,000	9.8
40 YEARS AND OVER	46,900	4.0
Total Wives Of Active Duty Military	**1,173,400**	**100.0**

Source: DoD and DoD/Rand Surveys.

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ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	Army		Navy		Marine Corps		Air Force	
Rank	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Officers								
O7-O10	392	4	254	2	69	1	332	2
O-6	4,589	104	3,638	105	641	6	5,524	119
O-5	10,650	529	7,354	402	1,591	30	12,028	465
O-4	15,451	1,577	12,079	1,423	3,149	82	18,143	1,612
O-3	29,935	4,584	19,727	2,886	5,930	232	36,518	5,666
O-2	14,068	2,981	8,826	1,159	3,892	142	12,521	2,622
O-1	6,566	1,490	9,353	1,131	2,577	89	9,262	2,393
Warrant Officers	14,664	363	2,894	28	1,358	45	0	0
Total Officers	96,275	11,632	64,125	7,136	19,207	627	94,328	12,879
Enlisted								
E-9	4,467	32	4,280	16	1,458	13	5,056	28
E-8	15,079	274	9,763	116	3,824	57	10,251	190
E-7	50,347	2,354	31,388	1,032	9,359	211	37,418	1,428
E-6	82,068	7,285	76,700	5,442	14,887	685	53,834	4,902
E-5	106,627	14,595	90,057	10,298	23,201	1,794	97,306	14,772
E-4	159,049	24,934	92,537	11,473	32,110	2,248	101,400	16,458
E-3	82,663	11,528	80,886	12,527	53,110	2,603	79,392	16,410
E-2	53,116	5,828	41,515	3,439	20,403	984	24,415	5,430
E-1	30,905	4,896	30,462	3,090	9,937	409	11,675	2,744
Total Enlisted	584,321	71,726	457,588	47,433	168,289	9,004	420,747	62,362
Cadets & Midshipmen	3,799	458	5,082	395	0	0	3,792	552
Grand Total	684,395	83,816	526,795	54,964	187,127	9,631	518,867	75,793

		Total DoD		Coast Guard			Total All Services	
Rank	**Male**	**Female**	**Total**	**Male**	**Female**	**Male**	**Female**	**Total**
Officers								
O7-O10	1,047	9	1,056	29	0	1,076	9	1,085
O-6	14,352	334	14,686	339	0	14,691	334	15,025
O-5	31,623	1,426	33,049	642	2	32,265	1,428	33,693
O-4	48,822	4,694	53,516	948	15	49,770	4,709	54,479
O-3	92,110	13,368	105,478	1,535	54	93,645	13,422	107,067
O-2	39,307	6,904	46,211	1,068	78	40,375	6,982	47,357
O-1	27,758	5,103	32,861	402	60	28,160	5,163	33,323
Warrant Officers	18,916	436	19,352	1,462	5	20,376	441	20,819
Total Officers	273,935	32,274	306,209	6,425	214	280,360	32,360	312,848
Enlisted								
E-9	15,261	89	15,350	380	0	15,641	89	15,730
E-8	38,917	637	39,554	510	0	39,427	637	40,064
E-7	128,512	5,025	133,537	2,807	25	131,319	5,050	136,369
E-6	227,489	18,314	245,803	5,431	205	232,902	18,519	251,421
E-5	317,191	41,459	358,650	5,120	436	322,311	41,895	364,206
E-4	385,096	55,113	440,209	6,475	574	391,571	55,687	447,258
E-3	296,051	43,068	339,119	4,236	518	300,287	43,586	343,873
E-2	139,449	15,681	155,130	3,009	470	142,458	16,151	158,609
E-1	82,979	11,139	94,118	712	125	83,691	11,264	94,955
Total Enlisted	1,630,945	190,525	1,821,470	28,662	2,353	1,659,607	192,878	1,852,485
Cadets & Midshipmen	12,673	1,405	14,078	0	0	12,673	1,405	14,078
Grand Total	1,917,553	224,204	2,141,757	35,087	2,567	1,952,640	226,771	2,179,411

All data as of March 31, 1988

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COMPENSATION

1988 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average Military Compensation	$29,438*
Regular Military Compensation	23,143
Basic Pay	16,233
Basic Allowance for Quarters	2,584
Variable Housing Allowance	691
Station Allowance Overseas	254
Subsistence Allowance	1,830
Federal Income Tax Advantage	1,551
Special Pays & Consumption Advantage	6,295
Special Allowance	564
Special and Incentive Pays, Bonuses	1,097
Commissary and Exchange Savings	546
Free/Reduced Cost Medical, Dental Care	2,359
Retirement Credit, Current Year's Service	672
Social Security Payments (Government Contributions)	1,057

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

Source: DoD Personnel Budget for fiscal 1988.

AVERAGE MILITARY COMPENSATION FOR THE LAST TEN YEARS

FY 1979	$ 16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915
FY 1986	27,682
FY 1987	28,416
FY 1988	29,438

Source: DoD Military Personnel Budget for the years shown.

TOTAL INCOME OF THE MILITARY COMMUNITY — FISCAL 1988

Active Duty Military		Retired Military		Reservists In Paid Status	
Total	$72.3		$55.5		$35.8
Military pay, allowances, benefits	64.2	Pensions	19.1	Employment	23.6
Moonlighting and working spouses income	8.1	Second career jobs	26.5	Working spouses income	6.4
		Working spouses income	9.9	Reservist training pay	5.8
Total Income of the Military Community					$163.6 billion

Source: DoD Personnel Budget for fiscal 1988 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

1988

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EXCHANGES

CY 1987 MILITARY EXCHANGE SALES BY DEPARTMENT AND BY AREA

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Automotive[1]	$116,183,476	2.7	$58,775,724	2.4	$174,959,200	2.6
Gasoline[2]	340,530,225	8.0	154,494,681	6.2	495,024,906	7.3
Automotive Labor[3]	21,156,065	0.5	4,993,928	0.2	26,149,993	0.4
Tobacco Products, including Vending	271,718,114	6.4	69,460,871	2.8	341,178,985	5.1
Military Uniforms including DPSC Mdse.[4]	252,717,134	5.9	79,653,825	3.2	332,370,959	4.9
Food & Juices	242,558,000	5.7	177,062,755	7.1	419,620,755	6.2
Beer & Sodas	252,593,100	5.9	145,821,900	5.9	398,415,000	5.9
Health & Beauty Aids	211,780,720	5.0	99,224,139	4.0	311,004,859	4.6
Cosmetics & Fragrances	114,072,695	2.7	44,980,145	1.8	159,052,840	2.4
Jewelry, including precious jewelry	118,297,891	2.8	84,197,540	3.4	202,495,431	3.0
Watches	54,751,356	1.3	25,296,170	1.0	80,047,526	1.2
Stationery	79,320,399	1.9	27,807,817	1.1	107,128,216	1.6
Greeting Cards & Paper Goods	51,900,136	1.2	24,447,294	1.0	76,347,430	1.1
Books & Periodicals	101,592,668	2.4	29,047,160	1.2	130,639,828	1.9
Men's Outerwear	94,434,159	2.2	52,333,582	2.1	146,767,741	2.2
Men's Furnishings	175,870,388	4.1	80,537,952	3.2	256,408,340	3.8
Women's Outerwear	145,072,457	3.4	75,910,836	3.1	220,983,293	3.3
Women's Furnishings	94,544,703	2.2	34,308,497	1.4	128,853,201	1.9
Boyswear	41,533,448	1.0	23,156,336	0.9	64,689,784	1.0
Girlswear	33,924,301	0.8	20,830,907	0.8	54,755,207	0.8
Infants' & Toddlers' Wear	51,110,813	1.2	31,535,146	1.3	82,645,959	1.2
Footwear	144,245,387	3.4	65,896,411	2.7	210,141,798	3.1
Linens & Domestics	32,292,877	0.8	17,007,941	0.7	49,300,819	0.7
Yardage & Sewing Notions	10,547,878	0.2	16,334,078	0.7	26,881,957	0.4
Dinnerware & Flatware	17,967,676	0.4	12,355,506	0.5	30,323,183	0.4
Kitchenware	48,955,110	1.2	26,337,482	1.1	75,292,592	1.1
Giftware	45,601,342	1.1	48,370,143	1.9	93,971,485	1.4
Cleaning Supplies	58,789,442	1.4	28,971,832	1.2	87,761,274	1.3
Traffic & Major Appliances	89,810,747	2.1	66,304,478	2.7	156,115,225	2.3
Furniture & Home Furnishings	47,138,855	1.1	82,359,402	3.3	129,498,257	1.9
Hardware & Pet Supplies	103,731,420	2.4	32,379,972	1.3	136,111,392	1.9
Luggage	34,697,322	0.8	12,186,517	0.5	46,883,839	0.7
Garden/Patio Furniture	102,210,579	2.4	15,114,634	0.6	117,325,213	1.8
Sporting Goods	61,365,314	1.4	34,970,875	1.4	96,336,188	1.4
Photo Finishing	27,315,785	0.6	7,092,607	0.3	34,408,392	0.5
Photography & Optical	85,026,189	2.0	60,684,645	2.4	145,710,834	2.2
Toys, Games & Bicycles	82,287,636	1.9	72,133,116	2.9	154,420,752	2.3
Consumer Electronics	308,989,767	7.3	459,417,213	18.5	768,406,980	11.4
Recorded Sound & Video	66,777,263	1.6	79,123,434	3.2	145,900,697	2.2
Distilled Spirits & Wine[5]	21,786,963	0.5	4,406,606	0.2	26,193,569	0.4
Total Retail Departments*	**$4,256,019,800**	**100.0**	**$2,485,704,800**	**100.0**	**$6,741,724,600**	**100.0**

[1] AAFES Retail Dept. 1 and Navy Dept. C-8. [2] AAFES Retail Dept. 2 and Navy Service Dept. J-3. [3] AAFES Retail Dept. 3 and Navy Service Dept. J-5. [4] AAFES Retail Depts. 19 & 40; Navy Dept. E-1 and Service Dept. L-1. [5] Navy exchanges assumed control of Navy package stores in October 1987. Sales figures shown cover a four-month period — October 1987 through January 1988 for distilled spirits and wines in Navy package stores.

* With the exceptions indicated in footnotes 1–4, above totals do not include income from services such as cafeterias, snack bars, beauty and barber shops, or concessions. No vending sales are included except cigarette vending, as noted above.

Research Department, Army Times Publishing Company

PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1987

	Worldwide Sales	Percent of Total Sales
AAFES	$5,854.7	69.3
Navy	1,873.5	22.2
Marine Corps	425.1	5.0
Coast Guard	106.6	1.3
VCS	183.3	2.2
Total	**$8,443.2**	**100.0**

$ in billions.

EXCHANGE SALES BY REGION

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AAFES	$3,328.6	56.8%	$2,526.1	43.2%	$5,854.7
Navy	1,418.2	75.7	455.3	24.3	1,873.5
Marine Corps	396.8	93.3	28.3	6.7	425.1
Coast Guard	96.7	90.7	9.9	9.3	106.6
VCS	183.3	100.0			183.3

$ in millions

EXCHANGE SALES GROWTH

CY 1978	**$4.840**
CY 1979	**$5.286**
CY 1980	**$5.944**
CY 1981	**$6.388**
CY 1983	**$7.083**
CY 1982	**$6.878**
CY 1984	**$7.194**
CY 1985	**$7.238**
CY 1986	**$7.613**
CY 1987	**$8.443**

$ in billions. Source: Resale systems' headquarters.

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COMMISSARIES

PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1987

	Worldwide Sales	Percent of Total Sales
Air Force	$2,320.8	44.1
Army	1,857.4	35.3
Navy	851.1	16.2
Marine Corps	167.5	3.2
Coast Guard	5.0	0.1
State Department	60.2	1.1
Total	**$5,262.0**	**100.0**

$ in millions.

COMPARISON OF PERCENT SALES BY MAJOR DEPARTMENT: MILITARY COMMISSARIES, BY BRANCH OF SERVICE, VERSUS CIVILIAN SUPERMARKETS

Operating Ratio	Average Percent of Total Sales Meat	Average Percent of Total Sales Produce	Average Percent of Total Sales Grocery
Army Commissaries	13.9	4.7	81.4
Air Force Commissaries	16.0	5.4	78.6
Navy Commissaries	17.5	6.7	75.8
Marine Corps Commissaries	16.6	6.0	77.4
Combined Military Commissaries	15.5	5.4	79.1
Civilian Supermarkets	18.8	10.3	70.9

Sources: For commissaries, reports received from headquarters offices of the four military commissary systems shown.

Surcharge has not been included.

For civilian supermarkets: "1988 Supermarket Sales Manual," *Progressive Grocer*, July 1988. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

COMMISSARY SALES BY REGION CY 1987

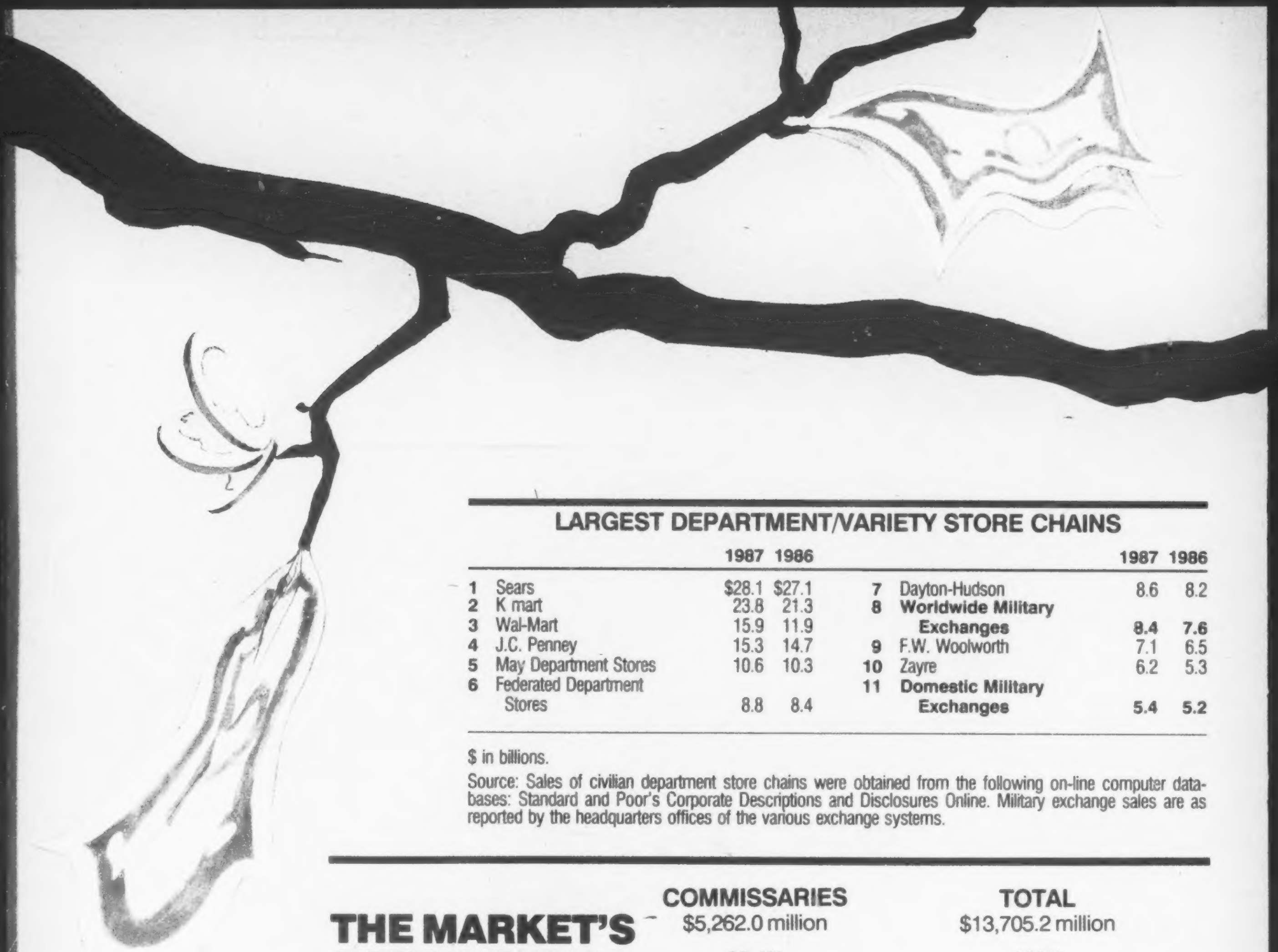
System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
Air Force	$1,958.8	84.4%	$362.0	15.6%	$2,320.8
Army	1,352.2	72.8	505.2	27.2	1,857.4
Navy	752.4	88.4	98.7	11.6	851.1
Marine Corps	164.0	97.9	3.5	2.1	167.5
Coast Guard	5.0	100.0			5.0
State Department			60.2	100.0	60.2
Totals	$4,232.4		$1,029.6		$5,262.0

$ in millions

COMMISSARY SALES GROWTH

CY1978	CY 1979	CY 1980	CY 1981	CY 1982	CY 1983	CY 1984	CY 1985	CY 1986	CY 1987
$3.283	$3.604	$3.919	$4.251	$4.476	$4.705	$4.874	$4.918	$5.047	$5.262

$ in billions SOURCE: Headquarter offices of commissary systems.



LARGEST DEPARTMENT/VARIETY STORE CHAINS

		1987	1986
1	Sears	$28.1	$27.1
2	K mart	23.8	21.3
3	Wal-Mart	15.9	11.9
4	J.C. Penney	15.3	14.7
5	May Department Stores	10.6	10.3
6	Federated Department Stores	8.8	8.4
7	Dayton-Hudson	8.6	8.2
8	**Worldwide Military Exchanges**	**8.4**	**7.6**
9	F.W. Woolworth	7.1	6.5
10	Zayre	6.2	5.3
11	**Domestic Military Exchanges**	**5.4**	**5.2**

$ in billions.

Source: Sales of civilian department store chains were obtained from the following on-line computer databases: Standard and Poor's Corporate Descriptions and Disclosures Online. Military exchange sales are as reported by the headquarters offices of the various exchange systems.

THE MARKET'S RETAIL SALES

COMMISSARIES
$5,262.0 million

38.4%

EXCHANGES*
$8,443.2 million

61.6%

TOTAL
$13,705.2 million

100%

*Includes sales by mail order, catalog, concessions, food service, personal services, etc.

COMBINED COMMISSARY AND EXCHANGE SALES

CY 1977	$7.454 billion
CY 1978	$8.123 billion
CY 1979	$8.890 billion
CY 1980	$9.863 billion
CY 1981	$10.640 billion
CY 1982	$11.354 billion
CY 1983	$11.789 billion
CY 1984	$12.068 billion
CY 1985	$12.155 billion
CY 1986	$12.660 billion
CY 1986	$13.705 billion

Combined CY 1987 sales for commissaries and exchanges were $13.7 billion. Worldwide military commissaries rose to eighth place from ninth place in 1986, while Supermarkets General feel from seventh to ninth place. Domestic military commissaries maintained the tenth rank position they had held in 1986.

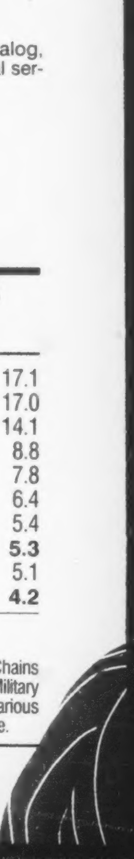
Worldwide and domestic military exchanges maintained their 1986 eighth and eleventh rankings again in 1987.

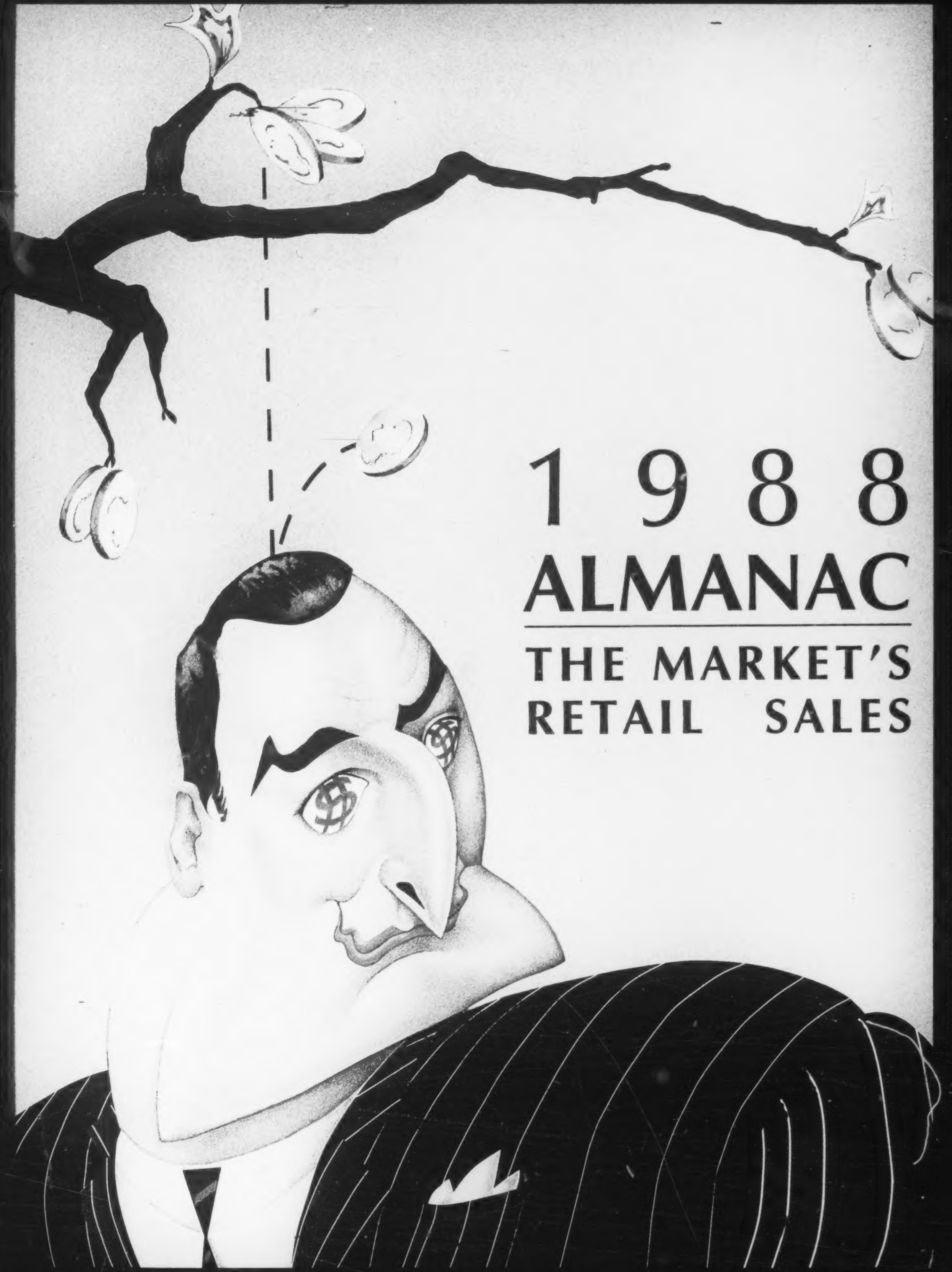
LARGEST SUPERMARKET CHAINS 1987

1 Kroger	$ 17.1
2 Safeway	17.0
3 American Stores	14.1
4 Winn-Dixie	8.8
5 A & P	7.8
6 Lucky	6.4
7 Albertson's	5.4
8 Worldwide Commissaries	**5.3**
9 Supermarkets General	5.1
10 Domestic Commissaries	**4.2**

$ in billions.

Source: Civilian supermarket sales are as published in "Top 50 Retail Chains (FY 1987)," *Supermarket News*, January 11, 1988, issue, page 11. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5-percent surcharge.





1988 ALMANAC

THE MARKET'S RETAIL SALES

TOBACCO

deglamorization

(de′glam ə ri za′shən) *n.* **1.** a deglamorizing or being deglamorized **2.** something made less alluring, less interesting **3.** the U.S. military's campaign against smoking tobacco in its ranks — that's changed the rules for tobacco marketers and sales representatives.

MARKET SHARES OF MAJOR CIGARETTE COMPANIES

	Overall Military	AAFES	AFCOMS	Coast Guard	NEX	MCX	TSA
American	9.74%	6.00%	11.18%	12.56%	10.78%	8.68%	9.44%
Brown & Williamson	11.03%	8.00%	8.48%	10.33%	16.60%	8.76%	11.62%
Liggett & Myers	12.66%	10.50%	15.21%	8.43%	1.45%	5.31%	16.40%
Lorillard	5.28%	9.50%	4.20%	6.74%	5.82%	7.37%	4.12%
Philip Morris	31.69%	40.00%	29.29%	33.95%	37.40%	45.32%	28.39%
R.J. Reynolds	29.60%	26.00%	31.64%	27.99%	27.95%	24.56%	30.03%

Figures are expressed in terms of percents of cigarette unit sales in the United States, excluding overseas. Figures exclude the six Navy commissaries which stock cigarettes.
SOURCES: AAFES figures are based on AAFES data. All others are from Management Science Associates, as of June, 1988.

THE SMOKING QUESTION

Is It Business As Usual?

> *"It's probably the touchiest item in the military resale system today. We're trying to operate with the guidelines they're giving, but we're walking on eggs here. We are fortunate to still be in some of these stores."*

1987 ON-BASE CIGARETTE SALES IN UNITS

DOMESTIC	
Exchanges	10,049,077,000
Commissaries	11,399,245,000
Total	**21,448,322,000**
WORLDWIDE	
Exchanges	13,522,121,000
Commissaries	13,953,075,000
Total	**27,475,196,000**

SOURCE: Army Times Research Department

Reports by Karen McBeth

Last year, the military's deglamorization campaign against tobacco lit a fire that left manufacturers feeling somewhat scorched: Overall fiscal 1987 tobacco sales declined by an average of 10 percent.

But this year, the flames seem to have died down, although company representatives and store managers are tiptoeing warily on the hot embers. Military tobacco sales are still in a slump, but the decline has lessened to around 6 percent.

Tobacco company representatives agree they can live with the Defense Department guidelines. But is it back to business as usual? Not quite.

"It's probably the touchiest item in the military resale system today," one military sales manager told MILITARY MARKET.

"We're trying to operate with the guidelines they're giving, but we're walking on eggs here. We are fortunate to still be in some of these stores."

Ambiguity over the Tobacco Question Lingers

The ambiguity over the military tobacco issue lies in the fact that, while the health hazards of smoking are nearly irrefutable, the dollars the industry provides are often indispensable. In commissaries, tobacco sales can represent anywhere from 10 to 24 percent of grocery department sales.

As far as the military is concerned, one sales manager said, "The military lets it be known they would rather have soldiers not smoking, and that's the business you're dealing with. But on the other hand, in the stores they're not banning us. We're still a stocking item. Shoppers will make their decision."

This year saw the services expanding their smoking cessation programs and further restricting areas where personnel can smoke. The Army doesn't allow smoking during basic training. The Air Force Commissary Service has made smoking suppressants a mandatory item.

> ***The ambiguity over the military tobacco issue lies in the fact that, while the health hazards of smoking are nearly irrefutable, the dollars the industry provides are often indispensable.***

market report

Do tobacco sales reflect fewer smokers? The Defense Department says yes, but others disagree.

"I don't think people have stopped smoking, but the incidence of smoking has obviously been reduced," said Ralph Gaillard, director of military sales for R.J. Reynolds Tobacco Co. "The enforcement of the state law and the overall deglamorization have reduced it so people aren't smoking as much, because they *can't*."

Irv Otte, director of military and vending for Brown and Williamson, said that while the company lost sales in the military in 1987, this year sales are up, and the company's market share has increased.

"The best segment for Brown and Williamson this year is the military," he said.

On the whole, tobacco MSMs seem less upset about the limitations on in-store promotions than they were last year. "When promotions are stopped, there's a decline in sales immediately thereafter, but the sales generally come back," one company representative said.

How Cigarettes Fared in the Military World

The Army and Air Force Exchange Service reports that the number of cigarettes purchased has declined over last year, while dollar sales remain at about the same level because of price increases.

Dean Weller, a buyer of tobacco and accessories for AAFES, said exchange shoppers purchased 552,000 fewer cartons of cigarettes in fiscal 1987 than in fiscal 1986.

AAFES' tobacco sales in fiscal 1987 totaled $129 million, and Weller said this year's sales probably will be down slightly — at the most, by 2 percent. Weller said he expects sales to go down in the future, in part because of the deglamorization campaign.

AAFES has increased the number of line items of cigarettes it carries — from 40 to 50 for stores supplied by warehouses, and from 60 to 75 for stores on the open order system, Weller said. "We weren't offering our customers as much assortment as we could," he explained.

Tobacco products make up 2.85 percent of AAFES sales, and 95 percent of the category is cigarettes, Weller said.

Tobacco products are sold in all Navy Resale and Services Support Office exchanges, but they are only available in six NAVRESSO commissaries: Pearl Harbor, Guam, Atsugi, Chinae, the Naval Station Charleston, S.C., and the Charleston Naval Weapons Station. (Cigarettes are not sold in Navy hospitals.)

Worldwide cigarette sales in Navy exchanges steadied at $101.9 million for fiscal 1987, said NAVRESSO spokeswoman Maureen Murray. In fiscal 1988, the Navy projects sales lowering a bit to $101 million.

Bill Cook, a commissary merchandising specialist for NAVRESSO, told MILITARY MARKET that, as of July 1988, tobacco sales in Navy commissaries totaled $7,301,179. He said that if sales continue at that rate, fiscal 1988 will show a 6.2 percent increase in tobacco sales over fiscal 1987. Last year, tobacco sales in Navy commissaries were $8.3 million, an increase of 17.5 percent over fiscal 1986.

Cook said the Pearl Harbor store accounts for half of commissary tobacco sales, while Chinae and Atsugi ring up $200,000 in combined sales.

Tobacco sales in the two ConUS stores are flat, according to Jack Spence, grocery merchandiser for the Charleston commissaries. He said that two years ago, the two stores cut back the number of tobacco line items to 90, but for inventory's sake they have since increased that number to 120. He said this number will remain the same.

The Troop Support Agency reports that cigarette sales are continuing to decline by about 7 percent per year, but that this year might show a slight increase in sales. Sales in fiscal 1987 declined by 11 percent, according to the Defense Department.

Tobacco sales for the Air Force Commissary Service are down six percent so far in fiscal 1988, according to spokesman Mike Hawkins. He said AFCOMS estimates that 10 percent of all grocery sales comes from tobacco, which means tobacco sales were $17.3 million for fiscal 1987. The Master Stock List allows for 100 items.

Marine Corps Exchanges report that tobacco sales were $15,136,000 in fiscal 1987. Marine commissaries don't stock tobacco.

Price Value Category Burns the High-priced Brands

Military buyers and sales managers agree that the fastest-growing category in the tobacco industry is the "low-price branded" group. This is a mid-price range of branded cigarettes. Generic cigarettes — the "black and whites" — are also growing, but not as significantly. Low-tar and female-oriented brands continue to occupy niches.

AAFES buyer Dean Weller said Doral and Cambridge

Lighter Biz Responds To Safety Concerns — and Flat Sales

Sales in the cigarette lighter industry have been generally flat. And things may get tougher.

This year has seen pressure from the Consumer Product Safety Commission for producers of lighters to make products that are child-resistant. Manufacturers say they are concerned about the issue and are working to come out with such products as soon as possible.

"The challenge is to make a lighter that's too tough for children to use but that is still practical for adults," said Gary Prushansky, communications director for Bic Corp. "We are on the forefront of the research for a child-resistant design. We've tested it, but we're still in the development stage."

Gillette has introduced a new line of Cricket lighters that have "state of the art safety features," said Steve Pedersen, director of marketing in the government markets division. He said the new Cricket 6000s are easier for an adult to use, while the wheel and button mechanism makes it harder for children to use. However, this lighter does not satisfy the CPSC's definition of "child-resistant."

Scripto will introduce a new lighter called Tiny Lite this month, which will compete with Bic's Mini Bic. The tiny lighters have a niche with younger smokers.

market report

MILITARY TOP-SELLERS

1 — Marlboro King Size Filters, hard box
2 — Marlboro King Size Filters, soft pack
3 — Winston King Size Filters
4 — Marlboro Light King Size Filters
5 — Kool King Size Filters, Menthol
6 — Pall Mall King Size Non-Filtered
7 — Doral 100s
8 — L&M Class A Generic, Light King Size Filters
9 — L&M Class A Generic, Light 100s
10 — Marlboro Light 100s

MILITARY PREFERRED TAR DELIVERY

Full Taste	40.20%
Hi-Filtration	59.80%
0-5 mg	5.89%
6-9 mg	13.04%
10-13 mg	30.42%
14-15 mg	10.45%
16 plus mg	40.20%

Commissaries and exchanges, as of June, 1988, for U.S. only; excludes overseas. Includes Coast Guard, but excludes the six Navy commissaries which stock cigarettes. SOURCE: Management Science Associates

Where There's No Smoke, There's Still Fire

The hot subject in recent months has been R.J. Reynolds' so-called "smokeless" cigarette, which is actually a misnomer, according to military sales manager Ralph Gaillard and other company spokespeople. The cigarette, which heats but does not burn tobacco, does have some smoke, Gaillard said.

With anti-smoking advocates clamoring to have the Food and Drug Administration oversee the cigarette because of its possible health claims, Reynolds is being very careful to market its new Premier brand as "the cleaner smoke."

This is not to say it's a healthier smoke. Gaillard described the cigarette as having no tar and 0.4 milligrams of nicotine. He said the smoke from the cigarette is aromatic and dissipates "almost immediately."

Beginning Oct. 1, Premier will be test marketed in Arizona and in 35 counties in Missouri, Gaillard said. It will be available in all Arizona exchanges and commissaries and in the single AAFES store in Missouri.

are the top-sellers in AAFES in the mid-price category, and they grew by 82 percent last year. Sales for these brands increased from 163,000 cartons in fiscal year 1986 to 296,000 cartons for fiscal 1987. However, Weller said this category accounts for only about three percent of total cigarette sales in AAFES.

Generic cigarettes account for about 10 percent of cigarette sales in ConUS exchanges, and the category grew by 10 percent last year, Weller said. However, he added that generics do not do as well overseas.

B&W's Irv Otte said the low-price branded and plain labels together represent 29 percent of all military cigarette sales and are predicted to go to 50 percent.

Deborah Harris, national accounts military manager for L&M, agrees that the price value category represents about 30 percent of total military cigarette sales, and compares this figure to a 10 percent share of the civilian cigarette market.

Management Science Associates (MSA), which tracks cigarette sales in the military, places the combined percentage of branded generics and generics at 28 percent.

B&W plans to reduce its whole Viceroy line to the low-price branded range as of Jan. 1, according to military director Otte. The company now has two brands in this range — Falcon and Richland 20s. This spring the firm expanded its Richland brand when it introduced the 20s pack version.

"Richland is a huge success story," Otte said. Otte also said MSA data showed that B&W's GPC generic brand is the fastest-growing cigarette brand in the military.

L&M is concentrating more on its generic brand, Class A, which holds the eighth and ninth spots in the overall U.S. military cigarette market, according to MSA. Military manager Harris said Class A holds a 12.3 percent share of the military cigarette market. Harris added that, according to MAMI data, Class A was the No. 1 seller in the military market earlier this year, and it continues to be the No. 2 selling brand.

L&M also plans to introduce its L&M 30s to the military market soon. Harris describes them as a price-value product where 30 cigarettes sell for the price of 20.

L&M's Deborah Harris explained the success of low-priced cigarettes in the military: "The military consumer is a more price-conscious shopper, I guess because he's used to getting the lowest possible price."

Philip Morris' Ted Costas, national sales manager, military accounts, said the value brands are growing in the military market because of the large portion of military who are retired and watching their spending.

Lights and Thins — Still a Growing Segment?

Costas sees the light cigarettes to be another growing segment. In January, Philip Morris came out with a Marlboro Lights menthol cigarette in 85s and 100s sizes to expand the Marlboro line.

Marlboro is the No. 1 selling cigarette in the military, and Costas said it is No. 1 in the country and in the world.

The slim cigarettes that are targeted toward female smokers continue to occupy a niche. Some company representatives see this segment to be growing, while others perceive it to be flat.

This year, Brown and Williamson concluded distribu-

market report

MILITARY PREFERRED CIGARETTE LENGTH

70-72 mm	1.88%
80-85 mm	49.98%
100 mm	45.73%
100-plus mm	2.40%

MILITARY PREFERRED CIGARETTE FLAVORS

Plain	5.23%
Full taste filter	38.61%
Light filter	43.71%
Ultra light filter	12.39%

Commissaries and exchanges, as of June, 1988, for U.S. only; excludes overseas. Includes Coast Guard, but excludes the six Navy commissaries which stock cigarettes. SOURCE: Management Science Associates

tion in the military for its ultra-slim Capri cigarette brand, introduced a little over a year ago.

L&M's Eves 120s have continued to grow, according to military manager Harris. The company is expanding the brand to include new Eve Ultra Lights in both filter and menthol styles. It will also become available in a crush proof box.

Lorillard introduced its Newport Stripes brand in March. The brand is targeted toward female smokers and is available in both menthol and non-menthol varieties.

Philip Morris' Costas doesn't believe the female slim cigarettes are growing. He sees the category to be flat.

Restrictions Create Some New Merchandising

Merchandising tobacco products is different in the military than it is in the civilian retail world, and it varies between commissaries and exchanges. But not all of the differences are a result of the deglamorization campaign.

DoD's Directive 1010.10 precluded the use of point-of-purchase displays, VPRs, promotions and samples in commissaries. Tobacco manufacturers are operating resignedly under the guidelines. Some have simply done without the extra promotional activities, while others have moved to other methods of marketing.

"We've taken the dollars that we would've used for promotions and devoted them to couponing," L&M's Harris said. "We've also developed a mailing list."

"We've changed strategies," said B&W's Otte. "We've started value-for-money ads in the military media. In commissaries, we have in-store coupons. In exchanges, we have buy-one-get-one-free and coupon offers."

According to military manager Costas, Philip Morris is cooperating with the DoD restrictions, using on-carton coupons, but in the same quantities as before the guidelines were imposed. Nor is the company increasing other marketing efforts, Costas said.

The area where the limitations have the most effect is on new product introductions, military sales managers agree. "Deglamorization of cigarettes in the military has made it more difficult to market our products to the consumer, especially new brands," L&M's Harris said.

AAFES buyer Dean Weller said some important considerations for merchandising the items is to keep them in stock and to make them convenient to the customer. He said that some exchanges have moved the location of the cigarette department, with good results.

"One store moved them from the back to the front," Weller noted. "They used free fixtures supplied by the company which were very efficient, space saving. There was a sharp jump in sales which lasted a whole year."

Company representatives have different ideas about the best way to merchandise cigarettes.

"Vertical merchandising is best — all of one company in one area," said PM's Costas. He also said the merchandising system in exchanges is better than in commissaries, where cigarettes must be loaded by the full case. Costas said in exchanges, where manufacturers can have their own fixtures, they can allow more space for the better-selling brands if they want to.

B&W's Otte also believes that vertical merchandising is better, and he added that carton spinner racks tend to limit the space available. Gaillard of R.J. Reynolds said horizontal merchandising is best. **MM**

Updating the Cigar

The image of the old, fat, stinky cigar is out of date, according to military sales managers for cigar manufacturers. The trend is toward smaller, sweeter and more aromatic cigars. Flavored cigars are also on the upswing.

"We've introduced some new sweet products that are up-to-date, away from the old foul, fat, perfecto cigars like grandfather used to smoke," said W. Tommy Morgan, military sales manager for Havatampa/Phillies Cigar Co.

Lewis B. Myers, manager of military and export sales for Consolidated Cigar Co., also sees this as an up year. He said Dutch Masters is the No. 1 brand in the military.

"We've weathered the storm," Myers said. "We're up a little bit this year dollar-wise, and in units we're somewhat level."

Both sales managers see the services beginning to modernize their cigar selections, getting rid of outdated brands and styles. They said that, until now, the exchanges often had outdated types dating back to the '50s.

General Cigar Co. introduced its new Tijuana Smalls aromatic cherry flavored cigars in January. Ken Zick, a marketing manager for the company, said they are cigarette-sized. In March, the company came out with Garcia y Vega Whiffs, a very small edition to the old line.

"The market's in transition," Zick said. "Customers are buying different types of cigars now. The new products we introduced are for broader appeal."

The smokeless tobacco industry is a $1-billion dollar business that declined by about 3.2 percent in 1987, according to the Smokeless Tobacco Council. Half of the industry sales are for snuff, while the other half is for chewing tobacco. Ward Hubbell, a spokesman for the council, said industry analysts say the moist snuff area is on the verge of growth.